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TOPICS OF THE MONTH

ACCEPTANCES.

IN the Legal Department of this issue will be found the regulations of the Federal Reserve Board governing acceptances. The making of acceptances is restricted to transactions involving the importation or exportation of merchandise. One reason for this restriction is the opinion given by Congressman Glass, in advocating adoption of the Conference Committee report, that to permit acceptances by banks in domestic transactions would involve "a saturnalia of expansion" which would lead to disaster. This is perhaps a fair expression of a wide opinion that American bankers are not yet ready to do a general acceptance business. This seems to be the opinion of the Federal Reserve Board. Its regulations bespeak wariness. Hope of valuable development along this line is expressed, but there is suggested a fear that success may not be certain.

If a recent statement by Charles G. Dawes is correct, that our foreign business amounts to only one per cent. of the total, the importance of activities in this line may be over-estimated. There would seem to be little occasion to fear anything particularly disastrous even if the precise regulations of the Reserve Board were not adhered to with exactness. On the other hand the acceptance is a form of credit instrument whose development is most desirable. It is a far better form in which to express credit than anything in domestic use. While the war will doubtless prevent foreign buying of American Acceptances for some time, nothing in the shape of American security will be so attractive to foreign bankers. Similarly it will encourage the purchase of foreign bills by American bankers. The regulations of the Reserve Board open the first crevice in

the wall that has shut this country out of participation in the financial affairs of the world. Every banker, whether he is directly and personally interested in foreign exchanges or whether the scope of his transactions extends only to the crossroads a hundred yards away, should read the regulations and follow the progress and development of this new form of commercial bill. It is not unlikely that it will become a factor of all but first importance in the conduct of banking.

Not the least interesting point in prospect is the relation which acceptances may bear to the increasing activity of the warring governments in seeking financial connections with this country. As yet these connections have not extended beyond the immediate need of credit to pay for the purchase of food or war materials. It seems inevitable that very soon these credits will be extended or refunded and, before the situation is fully realized, it will be found that, in reality, the nations at war are borrowing money in the United States. That the Federal Reserve Banks may rediscount acceptances or purchase them in the open market is not now so interesting as the fact that the credit of banks may now be expressed in this form of instrument.

OTHER NEW REGULATIONS.

A second regulation issued by the Board in February covers the increase or decrease of capital stock of member banks and the third covers the question of trust company powers for National Banks. These regulations will also be found in the legal department.

The granting of limited trust company powers to National Banks, is, under the Act, not susceptible of general regulation. Permission is granted only on the

application of individual banks and each case stands by itself. The Federal Reserve Board, of course, reserves the right to withdraw the permission. Under the circumstances, conditions will be singular or local under which a national bank will seek the exercise of such powers. The question is not a new one. National banks have long looked jealously at the broader powers of the state institutions. The jealous regard of the state institutions for these powers is the most forceful argument advanced to keep them from joining the Federal Reserve system. That section of the new law which permits giving national banks trust company powers under some conditions was not in any of the original drafts of the bill. Like the provision for mortgage loans it was inserted to quiet argumentative opposition. The disposition to mix up all forms of banking is still very strong. In his last book, Hartley Withers tells of a wise old English banker who, when asked what knowledge was essential to the conduct of banking business, replied, "The banking business is simple enough if only you will first learn what a mortgage is, and then leave it alone."

REPEATING AN EXPLODED CHARGE.

It is a matter for regret that, in an address in Chicago, Governor Hamlin of the Reserve Board, assigned, as one of the causes of the financial troubles last August, the fact that the banks hoarded. This is a repetition of the general allegation given particular form at the beginning of October by the Secretary of the Treasury. It fell flat then, in the face of the disclosures that were made. Repeated now, it can only be construed as a charge that the banks are deficient in patriotism. It is common knowledge that the energy, foresight and unselfishness of the bankers saved the country from a disastrous panic. The Treasury department had neither the resources nor the facilities to meet the situation. It would be unfair to withhold from the Secretary of the Treasury the credit that is his for his prompt action at that time. It would be untrue to state that he was not a factor of vast importance in holding off the disaster that threatened. But the bankers worked as hard and acted as generously. In distributing the credit for what was achieved, the bankers have the advantage. In his annual report, the Secretary of the Treasury took all the credit for everything to himself.

These later charges of hoarding by the banks seem to mark an intention, not only to withhold from the banks credit for what they did, but to lay on them the additional burden of having hampered the Treasury in its work of salvation.

RESTRICTION OR CO-OPERATION?

When the Federal Trade Commission is finally organized, there will be three regulatory bodies charged with the duty of supervising business. The other two are the Interstate Commerce Commission and the Federal Reserve Board. If the new body attains any such measure of control over the division of business as-

signed to it, as is exercised by either of the other two it will be a notable achievement. The railroad business and banking business have none of the variations of business in general. It is possible to lay down certain general rules for their conduct. How far this will be possible in the new field is a question.

A most interesting phase of the situation is the form which the regulation or supervision will take. The Interstate Commerce Commission, whose powers have been developed and extended by statute and by interpretation through a number of years has, up to this time, done very little except to restrict the operation of railroads as they expanded along normal lines. The Commerce Commission has laid down rules for railroad conduct after securing from the railroads the information to show how they were conducted. For many years it merely groped. The statutory development of its powers came slowly in the wake of knowledge of railroad business, which was not always acquired by or from the Commerce Commission. The corrective processes in regard to railroad conduct have been rather a result of publicity than of regulation. In any event, no idea of co-operation on the part of the Commerce Commission with the railroad was ever suggested. Its purpose has never been to help the railroads. Its members have never been selected because of such supposed ability. It has been a restraining influence from the beginning and it was not until last summer, when the climax of its activities in railroad restrictions seems to have been reached, that there was open rebellion against the Commission's powers. It seems then to have been learned for the first time, that there are limitations to the amount of interference which business can stand and survive. Since that time, there has been a gradual change in sentiment toward the railroads. There is a growing appreciation of the fact that the country needs them as much as they need the country. In such circumstances attention has naturally been turned more particularly toward the hodge-podge of statutes, decisions and what not, which constitute the code under which the Commission acts. A recompilation, interpretation, definition, and harmonization of the mass would probably do more to stabilize the conduct of railroad affairs than any other form of legislative act.

The method of regulating the business of banking is greatly superior to the method of regulating railroads or to that by which general business is to be regulated. The Federal Reserve Board is, in general, and in particular technical equipment, a much more competent organization than the Interstate Commerce Commission has ever been. No matter how hostile the political view of banking may be, there is always a keen realization that the credit adjustment of a country is a delicate matter. Throwing a railroad into the hands of a receiver may be a serious thing, but throwing a similar amount of banking capital into a receiver's hands would mean disaster. Due care was therefore exercised that the Federal Reserve Board have within its membership, men who understand banking.

It would be contrary to the politic trend of the

times, however, if the Federal Reserve Board had become a reality without any manifestation whatever of the tendency of politics to snap and snarl at the heels of business. There have been manifestations which clearly indicated the belief of a part of the Reserve Board that the Federal Reserve Act was intended for the restriction of banking freedom and for the punishment of, what is known on the stump as banking rapacity. It would be surprising if this were not so.

It is fortunate that banking is so technical in form that a lumberjack could hardly provide statutory rules for its conduct, much less a general scheme of operation. The act was built up out of the studied efforts of competent men. There are points at which it falls far short of what is desirable and there are evidences of lumberjack clumsiness but its structural form is adequate. It was a plan to give the country a new system of commercial banking and it has only remote reference, and no application, to what is known as investment banking. It is the supposed sins of the latter, that the political malcontents would punish. They naturally have some difficulty in using the Federal Reserve Act to this end.

A feature which marks the Federal Reserve Act as a code vastly superior to either the Interstate Commerce or the Trades Relations Act is the existence of the Federal Advisory Council. This Council chosen by the directors of the twelve Reserve Banks, and composed of men of the highest standing and greatest ability that the banking fraternity can produce, has no defined powers of apparent consequence. It may meet when invited by the Reserve Board, or of its own volition; it can call for information and, it might be inferred from the reading of the statute, that it could idle around and do nothing of consequence. As a matter of fact, it is given a power of the greatest moment. It can criticize. Its criticisms would find ready publicity and it is beyond mere surmise that they would carry such weight that the Reserve Board would shrink to insignificant proportions.

The absence of an organization having similar relation to the Interstate Commerce Commission has been often felt. Congress has passed and repealed an act for the establishment of a Commerce Court with power to review the decisions of the Commission. Numerous plans to fill this gap have been suggested. The presence of an advisory board, or whatever it might be called, of practical railroad men would probably do more to clarify the situation in this respect than anything else. Provision for such an organization might be made by Congress. This would be the desirable way, but if the railroads appointed such a committee of their own motion, it could develop into a body whose power in respect to railroads might become as great as that of the Federal Advisory Council in respect to banking. There is opportunity for a similar advisory organization to the Trades Relations Commission. It is only through the control provided by such a representative body that the disposition to restrict and restrain may

be transformed through sympathetic understanding into a disposition to co-operate.

POLITICS AND BUSINESS.

It is doubtful if any commission or body having its origin in a political act can co-operate successfully with business unless business delegates a committee to represent it. Business and politics are poles apart in both methods used and ends sought. They are not natural companions. Brought into voluntary association they seem to react on each other to the demoralization of both. They must eventually come to an understanding that both may survive without either one or the other being in danger of jail. But it seems true that business does not yet understand politics and still more true that politics does not understand business. If business ventures into politics it is immediately suspected of having ulterior motives. If politics ventures into business, the result is even more promiseful of scandal.

Not long ago politics was overcome by a desire to help the cotton planter. The result indicated, among other things, that politics had no understanding whatever of the cotton planter's needs, or, if it understood his needs, it did not understand what to do about it. The plan to issue currency against cotton, suggested by politics, was so obviously ridiculous, that even politics gagged at it. The \$135,000,000 cotton pool which resulted from a more apparently correct diagnosis and prescribed a much more apparently efficacious remedy, showed really no finer appreciation of the cotton situation.

Left to itself, banking and business working in co-operation have devised a plan that cannot fail. Banking and business understand each other. Politics understands neither. Unless the attitude of these activities toward each other can be so changed that co-operation will develop, there will be no progress. If politics continues only to restrict business, business will be destroyed, or it will turn and destroy that kind of politics.

DEPOSIT GUARANTY BILL IN WASHINGTON

There is pending in the Legislature of the State of Washington, a bill for the guaranty of bank deposits. The bill is divided into 17 sections and seems to be a comprehensive measure. It does everything except define the term, bank deposit.

RURAL CREDITS LEGISLATION

The turn given rural credits legislation by Senator McCumber's amendment to the Agricultural Appropriations Bill, is amusing rather than amazing. It is reported that there were seven senators present when Senator McCumber offered his amendment. The vote showed that the proposal was unanimously adopted. This marks the degree of unanimity attainable in the matter of rural credits. It is quite surprising that so many as seven statesmen could be found in agreement on this subject. However, the amendment is popular in both the Senate and the House for the simple reason that it provides for the lending of government money

to the farmer. There is a theory that the farmer has always wanted to borrow money of the government. There have therefore always been large numbers of congressmen who were eager to lend money to the farmer. The mere fact that the government has no money has never worried the two parties to this agreeable understanding. The McCumber amendment appropriates only \$10,000,000 for this purpose but it opens the way for expanding this amount.

The scheme, as approved by the Senate vote, was not well developed. It did not provide a detailed plan of operation with the precision of the Bulkley-Fletcher bill; the Federal Reserve Board was given no share in the development of the plan; it was assumed that these details could well be left to the Secretary of Agriculture, or they could be threshed out in conference. The all important feature was, that the government lend money to the farmer.

Report has it that the administration does not like this kind of rural credits legislation. It may comport with the Democratic platform but the chances are that it meets particularly only the political requirements of Senator McCumber. The last map showing the proportionate business activity in various sections of the country, made by the Chamber of Commerce of the United States, contained a dark spot which practically covered North Dakota. It indicated a state of depression in that section which must have given its representative in the Senate a great deal of concern.

It is reported that the President may veto the Agricultural Appropriations Bill even if it involves an extra session of Congress in order to get rid of the responsibility for the action of seven senators who remained in their seats during the dinner hour, but in the northwest there is no farmer holding out for two dollar wheat who will not give three cheers when Senator McCumber's name is mentioned.

SUB-TREASURY STILL WORKING

The following paragraph is taken from the financial page of a New York newspaper of February 27:

The Sub-Treasury's returns for the week's transactions with New York banks show net receipts by the Government, on all accounts, of \$15,668,000; net payments by Government to banks of \$11,210,000; and, therefore, excess payments by banks to Government of \$4,458,000, against \$4,264,000 paid by banks to Government last week, \$8,526,000 paid by banks to Government in this week a year ago, and \$6,817,000 paid by banks to Government two years ago.

In an address at Baltimore, on February 16, Fredric A. Delano of the Federal Reserve Board said this:

The Act does not abolish the sub-treasuries, but at the same time authorizes the Secretary of the Treasury to deposit and the Reserve Banks to receive, Government monies and to act as fiscal agents of the Government. It is for this reason chiefly that the Secretary of the Treasury is made

ex-officio member of the Federal Reserve Board and its Chairman, while the Comptroller of the Currency is also made an ex-officio member; thus giving the Government a minimum representation on the Board of two out of seven members. The framers of the Act argued the propriety of this representation, in spite of the fact that the capital investment was made solely by the subscribing banks, not in order to give the Federal Reserve Board a political (*i. e.* partisan) complexion, but on the ground that as the Government was to be a large depositor, it should have an influential voice in the general supervision.

The argument in favor of the Government thus using the Federal Reserve Banks is strong; first, the general reason that the money of the people (the taxpayers) is retained where it will be most effective in promoting trade and commerce; second, that it is safe, because the integrity of the twelve reserve banks is assured by the guarantee, individual and collective, of all the member banks; lastly, that the function of fiscal or disbursing agent for all Government drafts or checks, aggregating in round figures more than a million dollars per day, can be performed effectively by these banks and doubtless at a saving to the Treasury (even after allowing for the interest paid by National banks on Government deposits) compared with the costly and necessarily cumbersome methods of remitting from the Treasury or sub-treasury to pay checks drawn on the Treasurer of the United States.

Indications That Times Are Gradually Improving

General Secretary Fred. E. Farnsworth has just returned from a short trip through the Middle West, visiting Wheeling, W. Va., and attending as a guest the annual banquet of Wheeling Chapter, American Institute of Banking, where he delivered an address to the chapter members and bankers of Wheeling and nearby towns. Other cities visited on this trip were Columbus and Cincinnati, Ohio, St. Louis, Mo., Chicago, Ill., Battle Creek, Jackson and Detroit, Mich.

General Secretary Farnsworth spent some time in the Federal Reserve Banks of St. Louis and Chicago. These banks are in most excellent condition for business, thoroughly organized, are officered by some of the best men in these sections of the country, and have full and able corps of assistants in the various departments.

On this trip the General Secretary called on fifty-five banks, meeting some one hundred and thirty bankers, exclusive of those attending the banquet of Wheeling Chapter.

The consensus of opinion was that general condition of business in these various sections was improving; and while no one anticipated a full return this year of old-time prosperity, it was generally believed that times are improving. All of the banks in this section of the country have plenty of money, are loaning freely to those who are entitled to legitimate loans for their business, and at very reasonable rates of interest, with no apprehension as to unfavorable conditions in the future.

Co-operation Among Federal Reserve Banks—A Real Plan To Care for Cotton Crops.

Proposition to Have the Federal Reserve Bank of New York Act in Behalf of Other Federal Reserve Banks in the North and West in Examining Southern Credit Conditions and Distributing Cotton Paper—Belief that Co-operation Among Federal Reserve Banks Will Make it Unnecessary for the Reserve Board to Exercise Its Power to Compel Rediscounts.

Acting jointly with Chairman C. H. Bosworth, of the Seventh Reserve Bank of Chicago, Chairman John H. Rich, of the Ninth Reserve Bank of Minneapolis, has proposed to the Federal Reserve Board that there be created, in the United States Sub-Treasury at Chicago, a special emergency reserve of Federal Reserve notes, in five dollar denominations, amounting to \$28,000,000. Of this amount, \$20,000,000 will be held to the credit of the Chicago Bank and \$8,000,000 to the credit of the Minneapolis Reserve Bank. Requisitions on this fund will be made only at times of emergency or stress, and in the ordinary conduct of business both banks will disregard this fund and make their requisitions on Washington for their current supply of notes of all denominations.

The proposed plan is the outgrowth of a conference between the Seventh and Ninth Banks, during which it was pointed out that upon August 1, 1914, the situation caused by the European war first became serious in Chicago. As a result of this, before the following evening, which fell upon Sunday, the Chicago banks decided to go on a clearing house basis. The following morning they began the issue of clearing house certificates. As a result of this action there was issued in the Seventh Reserve District about \$15,000,000 of clearing house certificates and \$35,000,000 of the Aldrich-Vreeland emergency currency—making a total of \$50,000,000. Not all of this currency was used by the banks, but about \$25,000,000 was put into circulation, and it is probable that if the Federal Reserve Banks had been in existence at that time, the call upon them for Federal Reserve Notes would have amounted to approximately \$40,000,000.

In submitting the proposal for the emergency fund to the Federal Reserve Board, Chairman Rich points out that unless some special provision is made in advance, the recurrence of a similar emergency will leave the Seventh and Ninth Banks in such a position that they will be compelled to make requisition on Washington for a special supply of Federal Reserve Notes, with a prospect of delays that might be dangerous. Minneapolis could not expect to receive an adequate supply, even upon telegraph requisition, in less than two days' time, and the probabili-

ties are that it would require three days to make up the shipments and forward them from Washington. Chicago would have an advantage of about twenty-four hours over Minneapolis.

The plan proposed is that both banks act jointly in cancelling all unfilled requisitions for Federal Reserve Notes now in the hands of the Board, replacing them with new requisitions amounting to the contemplated fund of \$28,000,000, which would be filled and the notes shipped to the Chicago Sub-Treasury, to be held there at the risk of the Treasurer of the United States. The Sub-Treasurer in Chicago would receive instructions to issue notes from this reserve on the telegraph requisition of the Chairman of the Ninth Bank in Minneapolis, or upon requisition of the Chairman of the Seventh Bank in Chicago. Minneapolis would then be able to obtain overnight an ample supply of small denomination notes for any emergency use and Chicago would be able to draw notes out of the Sub-Treasury upon an hour's notice.

While the total reserve of emergency notes might not be adequate to meet a serious crisis, the reserve in Chicago would prove sufficient to take care of the member banks of the Seventh and Ninth Districts until such time as additional requisitions could be made on Washington and supplementary shipments obtained.

The Cotton Plan.

The Seventh and Ninth Banks have further cooperated in a plan for the relief of the Southern cotton situation. Chairman Rich, of the Ninth Bank, forwarded to the Board in Washington, on February 11th, a plan, approved by the Seventh Bank as well, for the handling of Southern cotton paper by the Northern and Western Federal reserve banks, through the agency of the Federal Reserve Bank of New York, acting under the authorization of the Board.

The brunt of the disturbances in the cotton market are now being borne by the Federal Reserve Banks at Richmond, Dallas and Atlanta, which have accepted high-class cotton paper for rediscount in order to provide the cotton growers with money for their immediate necessities. The situation was discussed in a session before the Reserve Agents in Washington and it was thought desirable to extend some support to the South in the present emergency.

The joint plan forwarded to the Federal Reserve Board in behalf of the Seventh and Ninth Banks suggests that the Federal Reserve Bank of New York act in behalf of the other Federal Reserve Banks in the North and West, and send its own examiners to investigate the condition of the Southern Reserve Banks and the cotton paper which they propose to offer; following which all of the paper from the Richmond, Dallas and Atlanta banks would be sent

forward to the New York Bank and there distributed to the Federal Reserve Banks in Boston, Philadelphia, Cleveland, Chicago, Minneapolis, St. Louis, Kansas City and San Francisco for rediscount the proceeds being placed to the credit of the bank from which the particular paper came. Under this system it would be possible to afford the South any support that it required to meet the situation and the burden would be so widely distributed that it would not be felt by the other banks.

The Federal Reserve Board has the power to direct one Federal Reserve Bank to rediscount for another in times of emergency. The joint plan forwarded to the Board is based on a belief that it will never become necessary for the Federal Board to employ this power and that under conditions such as now exist in the South, the Federal Reserve Banks will be able to act voluntarily and in concert in such a way as to meet effectively any situation that may arise.

The destruction of the European cotton markets

seriously hampered the South, and the Federal Reserve Banks in Southern territory will feel the pressure of the cotton situation for some time to come. The proposed plan is not the result of any appeal from the South for help, but is the result of the opinion of some of the Northern banks that they should voluntarily work out a plan of relief in advance, in order to be in a position to help the South when the cotton situation becomes more acute and the pressure on the Federal Reserve Banks in the cotton territory reaches a point where some form of assistance is desirable.

The relief plan provides that the total volume of rediscounts that may become necessary in the relief of the South be borne pro rata by the Northern and Western banks, giving them an opportunity to employ funds that are now idle, at a profit, and distributing the burden in such a way that it will not be felt. Except in the South, the Federal Reserve Banks are amply provided with funds and are in excellent shape to extend help.

REGISTRATION AT THE ASSOCIATION OFFICES

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Crane, A. A., Vice-President First National Bank, Minneapolis, Minn.

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Cutler, Ralph W., President Hartford Trust Company, Hartford, Conn.

de Chapeaurouge, Alfred, Attorney Deutsch-Sud-americanische Bank, Mexico City, Mexico.

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Lehon, Dan S., Manager Southern District, William J. Burns International Detective Agency, New Orleans, La.

Lehon, J. J., New Orleans, La.

Loasby, A. W., President Trust & Deposit Company of Onondaga, Syracuse, N. Y.

McCarter, Ural H., President Fidelity Trust Company, Newark, N. J.

McHugh, John, President First National Bank, Sioux City, Ia.

Maddocks, Sewall T., Cashier First National Bank and President Maine Bankers' Association, Boothbay Harbor, Me.

Maddox, Robert F., Vice-President American National Bank, Atlanta, Ga.

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Poillon, W. C., Vice-President Bankers' Trust Company, New York City.

Puelicher, J. H., Vice-President Marshall & Ilsley Bank, Milwaukee, Wis.

Reinhardt, H. B., Cashier State Bank of Maryland, Baltimore, Md.

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Wolfe, E. S., Cashier District National Bank, Washington, D. C.

Paper Eligible for Rediscount

By the Federal Reserve Banks

Clear and Concise Statement to Member Banks
by the Federal Reserve Bank of St. Louis—
Method of Certifying Eligibility—Definition
of Quick Assets and Current Liabilities—Re-
quired Character of Agricultural Paper.

All of the conditions surrounding the operation of a Federal Reserve Bank do not yet seem to be understood by its member banks. This is not strange nor anything unusual, inasmuch as so comprehensive a system has been put into effect and but a short period of time has elapsed since the organization of the Regional Banks. Perhaps one of the most important features, and one that interests the member banks most, is the proper conception of commercial paper. Then, again, the impression prevails that the "system" is complicated for rediscounting and that necessarily much delay will ensue in the handling of commercial paper for rediscounting purposes. To overcome these wrong impressions, the Federal Reserve Bank of St. Louis has issued a general letter, which cannot fail to be of interest to every member bank in the United States. This letter was sent to the President of every member bank in the St. Louis District, 446 in all; signed by Rollo Wells, Governor; and is given in full herewith:

GOVERNOR WELLS'S LETTER.

The Federal Reserve Bank of St. Louis has received many inquiries as to the exact nature of paper eligible for **rediscount**, and we offer the following in the hope that it will help you to know which of your notes you can rediscount with this bank, when you desire to use us.

Notes Which Are Not Eligible.

- (1) Notes payable on demand.
- (2) Notes given for land, or fixed investment of any kind, or for permanent improvements.
- (3) Notes given for carrying or trading in stocks or bonds (except U. S. Bonds).
- (4) Notes given for investments of a merely speculative character whether made in merchandise or otherwise.

Defining Eligible Paper.

- (1) All paper must have a fixed maturity.
- (2) Agricultural paper or paper based on live stock may have a maturity not exceeding six months from the date it is offered for **rediscount**.
- (3) All other paper must mature within ninety day from the date it is offered for **rediscount**.

NOTE.—If the paper was written for a longer period, it is rediscountable by this Bank if its maturity from date it is offered comes within the required limits.

In a general way, your notes eligible for **rediscount** must be of the following character: The proceeds of the note must have been used or are to be

used in producing, purchasing, carrying or marketing goods in one or more of the steps of the process of production, manufacture and distribution.

Method of Certifying Eligibility.

In practice, the positive assurance can seldom be made that the particular sum of money represented by the note offered has been used in this way. It is sufficient to know that a like sum of money of the note-maker has been so used. If the financial statement of the note-maker shows an excess of Quick Assets over Current Liabilities, it may be accepted as sufficient evidence that the money is currently employed in the note-maker's business. Member Banks may certify that paper offered is eligible with this understanding.

Defining Quick Assets and Current Liabilities.

It must be kept distinctly in mind that there is a marked difference between fixed assets and Quick Assets. To determine what constitutes Quick Assets, these are broadly defined to be: Articles intended for sale in the customary transaction of the note-maker's business, and resulting assets created by their sale, viz., Cash, Accounts Receivable, Notes Receivable. These Quick Assets are what the borrower chiefly relies on promptly to meet his Current Liabilities.

Current Liabilities are the debts of the note-maker contracted chiefly for the things he expects to sell and which he must pay within a short time, as distinguished from debts maturing over a period of years. He must be prepared to meet his Current Liabilities from week to week or month to month, whereas his long time debts he prepares to meet by years.

Now, with the above general principles in mind, we will take up, in the order named, notes of Merchants, Manufacturers, Miners, Quarriers, Farmers and Cattlemen.

When the word "notes" is used, we mean to include notes, accepted drafts, and bills of exchange.

(1) MERCHANTS.

- (a) Jobbers and Wholesale Dealers.
- (b) Retail Merchants.

(2) MANUFACTURERS.

- (a) Manufacturers of staple merchandise.
- (b) Lumber Manufacturers, Miners of coal and ore, Quarriers, etc.

(3) AGRICULTURAL PAPER.

- (a) Notes of Planters, Farmers and Cattlemen.
- (b) Notes secured by chattel mortgage on cattle, or by warehouse receipts for grain, cotton, etc.

In order to judge as to the eligibility of any of the above papers, the factors which govern are hereafter given, marked for ready reference. For instance, if you have a note of a retail merchant, refer to paragraph marked "1 (b)," below.

1 (a) JOBBERS AND WHOLESALE DEALERS stand between the original producers and the retailers. Attention is called to the fact that the Accounts Receivable of a jobber are largely due from retail merchants and are collectible as a rule, and that his merchandise is in unbroken packages and readily salable in the event of liquidation. The Quick Assets of a Jobber include: Cash, Accounts Receivable, Bills Receivable, Merchandise. When a satisfactory margin of Quick Assets is shown over Current Liabilities, it may be considered as sufficient evidence that his notes are given for commercial transactions and as such are eligible for rediscount.

1 (b) RETAIL MERCHANTS stand between the wholesale dealers and the general public in the distribution of merchandise. The Quick Assets in the financial statement of retail merchants include the same items as those listed under "1 (a)." The retail merchant, in addition to his Cash, Collectible Accounts and Bills Receivable, should have on hand sufficient merchandise of a readily salable character amply to insure the payment of his liabilities in the event of liquidation. It will be understood that Member Banks, when offering paper of retail merchants, have satisfied themselves that this is true. When this condition is complied with, and a satisfactory margin of Quick Assets is shown, the notes of retail merchants are eligible for rediscount.

2 (a) MANUFACTURERS OF STAPLE MERCHANDISE, sold through the regular channels of trade, stand close to the source of production. Their Accounts Receivable are due from merchants and other distributors. Their raw material and finished product generally command a ready sale in the event of liquidation. Notes given by manufacturers for the purchase of raw material and for manufacturing and carrying the same to the season when it is customarily salable, are eligible for rediscount. The Quick Assets of a manufacturer include: Cash, Accounts Receivable, Bills Receivable, Raw Material, Finished Product, Unfinished Product. When the financial statement shows a satisfactory margin of Quick Assets, it may be considered as sufficient evidence that these notes are given for commercial transactions and are eligible for rediscount.

2 (b) LUMBER MANUFACTURERS.—For rediscount purposes the Quick Assets of a lumber manufacturer are construed to be: Cash, Accounts Receivable, Bills Receivable, Manufactured Lumber, Logs on Hand. When a satisfactory margin of Quick Assets is shown in this statement, it may be considered as sufficient evidence that these notes are given for commercial transactions and as such are eligible for rediscount.

MINERS OF COAL AND ORE, QUARRIERS, ETC.—For rediscount purposes the Quick Assets of Miners of Coal, Ore, etc., are construed to be: Cash, Accounts Receivable, Bills Receivable, Coal, Ore, above ground. When a satisfactory margin of Quick Assets exists in this statement, it may be accepted as sufficient evidence that the notes represent money used to facilitate the progress from production to consumption, and as such the notes are eligible for rediscount.

3 (a) AGRICULTURAL PAPER. — The term "Loans for Agricultural Purposes" is intended to cover

advances made to farmers, planters and cattlemen for the raising of crops, purchasing and preparing live stock for market, and for carrying on the ordinary operations of agriculture. The proceeds of the note should be or should have been used for the purpose of keeping the farm a going concern. Loans made to farmers for capital investments, such as part payments on land, permanent improvements, etc., are not within the requirements of the Federal Reserve Act.

It is not always necessary that a farmer's note be secured by chattel mortgage. It is necessary, however, that the proceeds of his note be so used by him that from the sale of the resulting product (crops, cattle, etc.) the note will be paid. **When the notes are not secured by chattel mortgage**, a financial statement of the note maker should accompany the note. (This statement should give substantially the information contained on form of farmers' statement heretofore sent you.) The Quick Assets in the financial statement of a farmer include: Cash, Accounts Receivable, Notes Receivable, Live Stock, Farm Products on hand. Realizing that the farmer's statements will sometimes fail to show a satisfactory margin of Quick Assets, due consideration is given to the value of farm land in localities where farms are readily salable.

3 (b) NOTES SECURED by chattel mortgage on cattle, by warehouse receipts for grain, cotton, tobacco, etc., are eligible for rediscount.

Co-operation.

It takes but a few hours to have your paper passed on and the proceeds placed to your credit if your application comes to us in proper shape. If additional information be needed relating to the functions of the Federal Reserve Bank of St. Louis, do not hesitate to call upon us. It is your bank, and its officers earnestly desire to be of service to you. It is necessary to the purpose of Federal Reserve Banks to have the co-operation of their Member Banks. You are a stockholder in the Federal Reserve Bank of St. Louis. With your co-operation it will not only be successful but helpful in promoting business enterprise in general.

THE INSTITUTE STUDY COURSE.

"The Institute study course," says William M. Rosendale, "contains the fundamental knowledge of banking and banking law that every banker must possess to achieve or merit any sort of success in the banking business. Such knowledge may be obtained from other sources than the Institute. Thousands of bankers have acquired it through experience. The Institute merely provides the easiest and most direct way. Nothing, however, can be successfully substituted for such knowledge, and the Institute men who want to substitute something else for the Institute study course are animated often, if not always, not so much by a desire to do other work as by a desire—perhaps subconscious—to do little or no work. Institute graduation is the only tangible result of Institute work—the only work that can be analyzed and inventoried—and the number and character of Institute graduates are the crucial test of Institute achievements."

The Federal Reserve Act and Its Place in American Finance

Frederic A. Delano of the Federal Reserve Board
Considers the Subject from the Viewpoint
of the Business Man—Adjustment of Re-
serves and Currency—Operation of Reserve
Banks in Ordinary Times—What the Reserve
Banks Have Accomplished—Address Before
the Baltimore Association of Credit Men.

The title of the Federal Reserve Act, passed December 23, 1913, states its purposes as follows:

"An Act to provide for the establishment of Federal Reserve Banks, to furnish an elastic currency, to afford means for rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes."

However, in order to understand the place which the Federal Reserve Bank System is destined to occupy in the life of the nation, one must review, at least cursorily, the provisions of the system under which the National banks have operated for fifty years and appreciate the fact that, in the new Act, Congress sought to correct and supplement an existing system with which nearly two generations of our people have become familiar, rather than to supplant it with an entirely new system, built upon a new foundation. Furthermore, it is important to bear in mind that two-thirds of the banking of the country is done by banks and trust companies chartered by the various States, under laws differing rather widely and in some cases under charters much less strict than the Federal law. This feature becomes of great importance when it is considered that the ultimate banking reserves of the country are the reserves of the National banks.

Reserve Requirements.

It is an elementary but important fact that the whole theory of banking is based on the principle of averages derived from the results of experience. Banks represent, roughly, two classes of customers—depositors and borrowers. If a bank had to keep in its vaults cash subject to instant demand by all its depositors, no bank could live except by borrowing from its neighbor banks; and if the demand were simultaneous, the entire banking system would break down, because there is not sufficient currency to meet the demand. Banking, therefore, depends upon the hypothesis that a large proportion of the funds of depositors will not be called upon simultaneously; that somewhere between 10 per cent. and 25 per cent. must be kept on hand and on the premises, and that the remainder can be actively employed at interest—

that is, earning something; otherwise a bank could not earn its rent, salaries, and cost of operation, to say nothing of a return on the capital invested by its promoters.* This 10 to 25 per cent. which experience has found must be retained in hand is called a "Reserve," but the term has been more or less misused and misunderstood. We might assume, for example, that 10 per cent. were the minimum percentage of cash which had to be kept in vault and that 25 per cent. were the amount which, including this irreducible minimum, was required for emergencies. This is equivalent to saying that 10 per cent. was the minimum requirement of normal conditions and that the 15 per cent. additional was "reserves." Under the Banking Law of 1864, reserves varying from 15 per cent. to 25 per cent. were stipulated, but unfortunately that law (which permitted Reserve Cities to deposit half their reserves in Central Reserve Cities, and country banks three-fifths of their reserves in Reserve Cities) permitted a great duplication of reserves without any elasticity. A demand for currency attending a panic or loss of confidence on the part of the public invariably found the banks carrying the minimum reserves authorized under the law, and it would at once develop that these so-called reserves were not, in truth, reserves—they might more truly be called minimum requirements, not reserve funds, available to overcome a period of stress.

An Elastic Currency.

This subject of reserves thus became one of paramount importance, and it was recognized by many that a correct solution was of immense importance to the country's development. For twenty years bankers, business men and economists have interested themselves in the problem of working out a remedy. The fact that other countries were able to adjust their banking and currency methods to the ebb and

* It is proper to explain that while a bank begins doing business by lending its capital and a share of its deposits, each loan that is made goes to swell the deposits, because the loan when made is not usually paid out in cash, but is put as a deposit credited to the borrower and subject, like any other deposit, to check by the borrower who has thereby become a depositor. The relationship of deposits to loans and to currency are well illustrated by the aggregate figures taken from the statement of the Comptroller of the Currency for June 30, 1914, as follows—(The report includes all National banks and 95 per cent. or more of the State banks and trust companies):

Gross deposits of individuals and corporations in National banks, State banks and trust companies.....	\$18,517,732,879
Gross loans and discounts by National banks, State banks and trust companies	15,288,357,284
Total U. S. currency outstanding same date	3,402,015,427

flow of business, or even to survive considerable recessions without complete stagnation or panic, was constantly referred to. After much discussion it became apparent that this question of reserves was closely associated with that of a suitable currency; that one of the phenomena attending every panic or business disturbance was a demand for currency which, if not satisfied, invariably led to the hoarding of metallic money. It was pointed out that in this respect the currency system of the United States, under the National Banking Act of 1863, was peculiarly rigid and inelastic—far more so than it had been under earlier banking acts or under the central bank systems common in Europe.

The currency provision of the law of 1863 was based on the idea of compelling National banks to purchase United States Government bonds and using those bonds as collateral security for National bank currency. As a plan to create a market for Government bonds, of which there were some three billions outstanding at the close of the Civil War (three times as many as now), the Act was a great success. Under its provisions bonds which sold on a basis of more than 7 per cent. reached a basis of less than 2 per cent. Nobody could complain that this form of currency was not safe. The complaint came only from the economists and students of the problem, that it was incapable of expansion and contraction with the demands of business. If the amount were increased to take care of maximum requirements, there was no ready means, in periods of slack business, of contracting the amount of currency in circulation except by the clumsy method of returning the currency, redeeming the deposited bonds and converting these into cash again, a manifest impossibility on any large scale, because United States bonds soon had acquired a market price, by reason of their circulation privilege, far above their investment value. Our own experience in this country before the Civil War, as well as that of European nations, pointed out a remedy in basing the currency not on long time securities like Government bonds, but on short time loans of merchants, manufacturers, and agricultural producers, based upon and representing actual purchase and sale of raw material, produce or commodities, or of manufactured or partly manufactured products. The great advantage of such loans lay in the fact that they were self-liquidating, that they represented largely food or other products classed as necessities of life, that the paper was of short time maturity; that in the nature of the case, currency based on such loans would increase or decrease in volume directly with the enlargement or diminution of trade requirements, population, etc. In order to leave undisturbed the existing currency, with which everyone was familiar, Congress provided that the present bond-secured currency should remain practically intact or subject only to gradual replacement through a period of twenty years with a new bond-secured currency of the Federal Reserve Banks. This means that the notes of twelve Federal Reserve Banks will gradually displace the notes of 7,600 National banks. In addition to this currency, plus the gold and gold certificates, silver and silver certificates and greenbacks, already in existence and which I have enumerated in Table A, there was *created by the

Federal Reserve Act a new form of currency, known as Federal reserve notes.

Table "A"

In Circulation, February 1, 1915.

Gold Coin (including bullion in Treasury)	\$623,050,364
Gold Certificates	958,448,039
Standard Silver Dollars	67,621,922
Silver Certificates	452,613,274
Subsidiary Silver	160,334,776
Treasury Notes of 1890	2,321,968
United States Notes	319,711,226
National Bank Notes	879,497,881

Total \$3,463,599,450

N. B.—This table does not include any gold which is back of gold certificates, or silver back of silver certificates. In other words, there is no duplication in this statement.

These notes, issued in five denominations (\$5, \$10, \$20, \$50, \$100) represent the elastic currency of the country. In other words, the previously issued currency already mentioned, amounting in total on February 1, 1915, to \$3,463,599,450, will easily take care of average requirements, while the new currency provides an elastic supplementary currency. The plan devised and finally adopted by Congress not only meets the requirements of an elastic currency, but meets most ingeniously the difficulty in respect to reserves to which I have already referred. Depending somewhat on the diversity of business or the dependence of a community upon a single crop, there is to some extent a seasonal ebb and flow in the demands of every community, exhibiting itself in an increased or diminished demand for currency and banking credit.

The Act provides for substantial reduction of reserves by country banks, Reserve City Banks and Central Reserve City Banks (as shown in Table B), but at the same time allows no duplication in its determination; a circumstance which, in the past, has led to much unsettlement and lack of confidence as to the ultimate security of the banks.

Table "B."

	Percentage of Deposits Required as Reserves Under the Old Law.	Percentage of Active or Demand Deposits Required as Reserves Under the New Law at End of Three Years.	Percentage of Time Deposits or Savings Deposits Under the New Law.
Three Central Reserve Cities.....	25%	18%	5%
Forty-nine Reserve Cities.....	25% of which one-half could be kept in a Central Reserve City.....	15%	5%
Country Banks.....	15% of which three-fifths could be kept in a Reserve City.	12%	5%

The Act further provides that at the end of a period of three years, the percentage of total demand deposits required by the twelve Federal Reserve Banks from member banks in Central Reserve and Reserve cities and in the country, respectively, shall be 7, 6 and 5 per cent. and at the option of member banks these deposits may be increased to 12, 10 and 8 per cent. respectively. These reserves, instead of being held in vault as fixed cash reserves, subject to call on demand, are made the basis for issuance of the new Federal Reserve currency.

At first blush this might seem an indiscreet use to make of reserves; it might indeed strike one as a wild project of pyramiding on assets, but a study of the Act will satisfy the student that, if the Federal Reserve Board does its duty, these reserves can be used expansively as suggested, yet be absolutely safe. At this writing, with only two installments of the capital stock paid in and with only one-third of the total reserves in the hands of the twelve District Reserve Banks, the total cash reserves in their hands aggregate \$281,373,000. The law requires a cash reserve against deposits of member banks of 35 per cent.; this requires, then, an aggregate cash reserve of \$99,749,000. In respect to the issuance of currency, the law requires, first, that each of these twelve reserve banks (except for supervision of the Federal Reserve Board) shall be autonomous, self-contained and independent; that it may issue currency against approved "commercial paper" or "acceptances"** when indorsed by member banks, dollar for dollar, provided it shall deposit as additional protection and reserve against such notes not less than 40 per cent. of gold. From this it will be seen that, after deducting \$99,749,000 from the aggregate cash resources of the Federal Reserve Banks as a reserve against member bank deposits, there remains \$181,624,000 which would sustain a total reserve note currency of \$454,060,000, and, obviously, this will increase to something like threefold this figure when all the reserves shall have been paid in; and still further increased if government deposits are made in the Federal Reserve Banks, or if, as is to be hoped, State banks in large numbers enter the system.

Operations of Reserve Banks in Ordinary Times.

It might be assumed from what has been said that these twelve Federal Reserve Banks exist solely to take care of unusual, spasmodic, or seasonal demands of business or else those excessive demands which periodically come upon us at greater intervals of time. That alone might well be called a worthy object to attain, but it would have to be admitted that a ponderous and costly machine had been created to serve an occasional demand; and it might be doubted whether a machine thus kept in comparative idleness through two-thirds of the year would operate smoothly and successfully when the steam was turned on. But the framers of the Act had no such idea. They meant that these district banks should be active undertakings and, among other requirements, imposed

upon them the duty of earning for their stockholders (the member banks, aggregating, to begin with, 7,600) not only operating expenses and all costs by the Government for engraving and printing of notes, the salaries and expenses of the Federal Reserve Board and its staff of employees, but, in addition, 6 per cent. on the investment by the banks. In order to enable the twelve reserve banks to employ their funds profitably in the dull seasons (the seasons of liquidation), and recognizing that in such seasons the member banks would not bring commercial paper to the reserve banks for rediscount and the issuance of currency, for the obvious reason that in those seasons the member banks themselves would have ample loanable funds, Congress provided for the purchase and sale of certain readily marketable investments, for example, Government bonds, tax warrants of States, municipalities, etc., acceptances, e.g., drafts or bills of exchange, the payment of which has been guaranteed or promised at maturity, and other similar documents. Investments of this kind which must be made under restrictions of the Federal Reserve Board are, with the exception of Government bonds, all short time paper, the idea being that they shall mature in advance of the active requirements of funds for crop moving, etc. It is impossible to foretell just what experience will develop, but it is probable that the rediscounting of commercial paper and the issue of Federal reserve notes therefor will reach normally a minimum in the months of January to March, inclusive; that thereafter it will gradually rise to a maximum requirement in the autumn, and from that maximum recede again to the low point after Christmas. However, it is to be expected that the demands in the various districts, with a diversity of harvesting seasons, will develop a condition where there may be a scarcity of funds in one region and a surplus in another. With this possibility in view, the Act provides that the Reserve Bank of one district may rediscount for that of another district.

From the foregoing it may be seen that, while the Federal Reserve Act provides a valuable "shock absorber," it is far more than an inert piece of machinery which comes into action simply in an emergency. It might more truly be likened to an extra unit in a large power station, revolving at all times on, say, half load, yet capable of taking on a full load at any time or, for short periods, even a considerable overload.

In much that has been said and written, however, it is evident that in some particulars the true functions of the Federal Reserve Banks have been misunderstood. These great District Banks, each representing a large and important territory, important though they be as the central banks of their districts, are not in any sense "wholesalers" of money to their member banks, who, in turn, dispense or retail it at a profit to their customers. These central banks, with whom the public is not directly permitted to deal, are in a sense "banks of banks," as has been frequently said, but their gross assets really bear only a small ratio to that of the aggregate of the stockholding banks, and while their powers and influence are very great, their actual currency issuing power will represent, after all the reserves have been paid in, only some 12 per cent. to 15 per cent. of total

* By "acceptances" are meant "drafts" or "bills of exchange" drawn upon a purchaser of goods to be delivered, growing out of export or import and accepted by the buyer or by a banker or accepting house acting on behalf of the buyer.

loanable funds of banks in the country, National and State.*

What the Reserve Banks have Accomplished.

The benefits of the Reserve Act as thus far developed are evidenced more by the indirect benefits derived than by the actual transactions of the Reserve Banks themselves. For example, there was released on the 16th of November, when the banks were declared opened by the Secretary of the Treasury, something like 450 millions of dollars (the exact amount has not been determined on account of the difficulty of computation by reason of the duplications in previous methods of calculation). This large fund was released to meet the demands of business; its immediate effect was a reduction in all interest rates in every district. The emergency currency issued to meet the panic conditions brought on by the European war was rapidly retired, so that, from a maximum issue of \$385,216,655, this emergency currency outstanding has been reduced (at the close of business on the 13th day of February) to \$44,205,802, and this is in spite of the fact that a large area of our country has suffered from a most serious setback, due to the unexpected and sudden reduction in the demand for their chief staple product—cotton. As a precautionary measure, and on the advice of bankers quite generally, three years are provided in which to develop the Reserve Banks to their full power. Whether or not this was an unnecessary length of time is a debatable subject, but one thing is already evident, and that is that the country is now demanding results as if three months instead of three years had been named.

Other Important Functions of the Bank.

Before closing this paper it is proper to discuss briefly some of the other functions of these Reserve Banks. These lie chiefly in two directions; first, as Government depositaries and fiscal agents; second, as clearing houses for checks drawn within their districts or, on such plan as the Reserve Board may approve, between districts.

The Act does not abolish the sub-treasuries, but at the same time authorizes the Secretary of the Treasury to deposit and the Reserve Banks to receive Government monies and to act as fiscal agents of the Government. It is for this reason chiefly that the secretary of the Treasury is made ex-officio member of the Federal Reserve Board and its chairman, while the Comptroller of the Currency is also made an ex-officio member, thus giving the Government a minimum representation on the Board of two out of seven members. The framers of the Act argued the propriety of this representation, in spite of the fact that the capital investment was made solely by the sub-

* Stated in round figures, after deducting the reserves required against deposits, there remains \$181,600,000 of gold on hand, which will sustain an issuance of four hundred fifty-four millions of Federal Reserve Notes. As already shown, this will be increased in three years to, say, 700 millions, which is 4½ per cent. of the total loans and discounts of the State and National banks of the country on June 30, 1914. This will be increased, as already explained, as State banks enter the System and as Government deposits are added.

scribing banks, not in order to give the Federal Reserve Board a political (i. e., partisan) complexion, but on the ground that as the Government was to be a large depositor, it should have an influential voice in the general supervision.

The argument in favor of the Government thus using the Federal Reserve Banks is strong: first, the general reason that the money of the people (the tax-payers) is retained where it will be most effective in promoting trade and commerce; second, that it is safe, because the integrity of the twelve reserve banks is assured by the guarantee, individual and collective, of all the member banks; lastly, that the function of fiscal or disbursing agent for all Government drafts or checks, aggregating in round figures more than a million dollars per day, can be performed effectively by these banks and doubtless at a saving to the Treasury (even after allowing for the interest paid by National banks on Government deposits), compared with the costly and necessarily cumbersome methods of remitting from the Treasury or sub-treasury to pay checks drawn on the Treasurer of the United States.

The second important function of the Reserve Bank, outside of the chief functions for which it was created, is that of its place as a collecting agency or clearing house for checks of its respective district. All important cities of the country have had their clearing houses for checks of National and State banks in the community. These clearing houses, formed for mutual convenience by voluntary action of their component banks, have developed important functions quite outside of those originally contemplated. Among these may be mentioned a system of self-examination more rigid and thorough than that previously maintained by the Government; agreed rules for charges for collections on out-of-town checks, and, in times of panic, such as 1907 and 1914, the rediscount of paper and securities of its members, issuing against these clearing house certificates, which have been used not only in transactions between banks, but in some cases even in public transactions.

There is little doubt that this development of the clearing houses, adjusting themselves as they have, through many years of experience, to the demands of business, provided a valuable and effective suggestion to the framers of the Federal Reserve Law. So it is not to be wondered at that the Federal Reserve Act, in adopting the emergency function of the clearing houses in the rediscount of member banks' paper, saw the desirability of adopting, at the same time, the chief feature of these clearing houses; namely, the check clearing idea. And so, in fact, the Act did embody, not in the most lucid terms, but certainly by intent, a complete system of clearings within and finally between the districts, subject to the rules to be framed by the Reserve Board, and at the same time authorized the Reserve Board, in co-operation with the Comptroller of the Currency, to raise the standard of the examination system co-ordinate with the examination by the Federal Reserve Banks and by the Federal Reserve Board.

ACCELERATING BUSINESS IMPROVEMENT.

Business improvement comes faster when you go to it.—*Wall Street Journal.*

Incorporation and Extension of the Bankers' Health Commission

Systematic Organization to Promote Physical Culture and to Provide Health Resorts for Invalids—What the Commission Has Already Accomplished and What It Has Planned in Ways of Practical Work.

The Bankers' Health Commission has been incorporated under the laws of the State of Illinois. The particular business and objects for which it is formed are (1) to promote physical culture, (2) to provide health resorts for invalids, (3) to conduct a bureau of information, and (4) to publish reports concerning the business and objects of the corporation. The commission is an outgrowth of a resolution introduced at the Richmond Convention of the American Institute of Banking and the appointment of a committee consisting of E. D. Hulbert, F. A. Crandall, George E. Allen, Franklin L. Johnson, Frank C. Mortimer, John C. Knox, John H. Puelicher, D. C. Wills, and Alfred M. Barrett (Chairman). The committee thus constituted realized the self-evident fact that the work contemplated did not come within the constitutional powers of the Institute, and therefore formed a separate membership association. George E. Allen, Educational Director of the American Institute of Banking, in connection with his Institute work, made visits of investigation to several sanitaria and ranches that take care of invalids. He also took up with government officials the question of climatic conditions in various parts of the country. The general proposition proved to be more complex than at first supposed. Investigation demonstrated the fact that invalidism in banks—especially invalidism of incipient character—was more extensive than originally supposed, and that some plan of preventing disease was quite as important as the proper care of bank men who have reached the stage of disability. The promotion of physical culture was accordingly given more consideration than at the outset intended. The progress of the commission has been retarded by the fact that the attention of bankers has for several months been centered upon problems arising from the European war, but since sentiment has become accustomed to the tragedies of the transatlantic nations, the conviction is now cherished that the objects and methods of the commission may now receive the attention that they merit. The incorporation of the commission puts its affairs upon a definite basis and protects members from any legal complications that might otherwise occur or create fear of occurrence.

Members and Patrons.

The by-laws of the commission provide that the members of the corporation shall be classified into two classes—institutional members and individual members—whose membership shall be in perpetuity. Any bank, banking association, trust company or

savings institution or association of bankers may become an institutional member by payment of dues of one hundred dollars. Any director or officer of a bank, banking association, trust company, savings institution or association of bankers may become an individual member by payment of the dues of one hundred dollars. Upon the death of any individual member his membership may be transferred by vote of a majority of the trustees to any duly qualified person. Any bank, banking association, trust company, savings institution, or association of bankers, or any director, officer or employee thereof may become a patron by subscription to the periodical reports of the corporation at the rate of one dollar per year. Institutions and individuals that became members of the commission when it was an unincorporated body are thus constituted patrons of the corporation with all the rights and privileges bestowed upon them by the original unincorporated association. Institutional and individual members of the commission are entitled to maintain any suitable person at resorts identified with the commission on such terms and conditions as may be obtained or provided. Institutional patrons are entitled to maintain their invalid officers and employees at resorts identified with the commission in accordance with such terms and conditions as the commission may obtain or provide. Individual patrons are entitled to accommodations for themselves or members of their families at resorts identified with the commission on such terms and under such conditions as the commission may obtain or provide.

Officers and Directors.

The officers of the commission are E. D. Hulbert, Chairman; Alfred M. Barrett, Vice-Chairman; Continental and Commercial Trust and Savings Bank of Chicago, Treasurer; Merchants Loan and Trust Company of Chicago, Trustee of Reserve Fund; George E. Allen, Secretary. In addition to the Chairman, Vice-Chairman and Secretary, the Trustees are Walter E. Frew, John H. Puelicher, Frederick A. Crandall, Frank H. McCulloch, B. W. Rosenstone, and Oscar A. Ross. William A. Law, President of the American Bankers Association, and William S. Evans, President of the American Institute of Banking, are Trustees ex-officio.

Excelsior Springs.

Among the resorts at which the commission has made arrangements for the care of bank invalids on favorable terms is Excelsior Springs, Mo., which is thirty miles northeast of Kansas City, on the Chicago, Milwaukee & St. Paul and Wabash railways. Electric interurban lines connect Excelsior Springs with Kansas City and St. Joseph. In 1880 the now famous Siloam-Manganese Spring first attracted public attention. In 1881 the "Regent," perhaps the greatest iron-manganese spring in existence, was discovered. In 1888 the Sulpho-Saline was discov-

ered at a depth of 1,460 feet—and from that hour to this the future of Excelsior Springs as one of the great health resorts of the country was assured beyond the pale of doubt. Since that time, other waters, some of saline and other varying mineral properties, have been found.

The spring waters are invaluable in alterative, eliminative, and bloodbuilding qualities. The iron-manganese waters are effective in the many ailments arising from impure or impoverished blood; they and the lithia waters stimulate the kidneys and eliminate uric acid. They promptly relieve rheumatism and the various forms of kidney and bladder troubles. The waters of the soda-carbonate and the sulphur and saline types relieve and cure inflammatory and catarrhal conditions of the mucous tissue, dyspepsia, constipation and all ailments caused by torpid liver. Excellently equipped bath houses utilize the mineral waters and with their skilled attendants materially aid in restoring health.

Excelsior Springs has a permanent population of 5,000. It combines the restfulness of a country town with the advantages of a modern city. Its streets are paved and well lighted; the city water supply is brought from deep wells eight miles distant; its sewerage system is perfect. Two hundred hotels, apartment and boarding houses and innumerable cottages provide accommodations suited to every pocketbook; the best of school systems, with primary, high, and manual training buildings. The visitor will find all amusements usual to noted resorts, including an amusement building. The Excelsior Springs Golf Course is one of the most attractive and interesting in the country. The club house, with professional in charge, meets all golfers' requirements. A large tract of land in the center of the city has been purchased at a cost of \$60,000 and is being developed, together with a system of picturesque drives more than seven miles in length.

The Siloam spring is located just off Broadway, in the very heart of the city. Its surroundings are ideal. One view looks up to the busiest thoroughfare in the city and to the Sulpho-Saline pavilion; the other out across the river and upon a beautiful wooded park, which is destined soon to be a most popular resting place. To the Siloam pavilion, located upon a shaded terrace, with cement floor and ample resting places, come thousands of people, of all classes, daily, to drink and drink and drink; for, strange as it may seem, it seems impossible for one to drink too much of this water. Persons suffering from anemia find the most satisfactory results from the liberal use of this water, which quickly enriches impoverished blood, driving out all impurities. It shares with the Regent the reputation for benefiting the ailments which are more fully described in the paragraphs devoted to the latter.

Dr. W. P. Mason, professor of analytical chemistry, Rensselaer Polytechnic Institute, Troy, N. Y., author of many treatises on water examination and analysis, and one of the best known authorities, has certified to the analysis found below on this page of the justly popular Siloam "Ferro-Manganese" water, adding: "Siloam is free from organic matter."

Concerning the Regent Ferro-Manganese Spring, Dr. Mason says: "I believe Regent to be the strongest

iron-manganese water in the world," and his opinion has been borne out by many comparative analyses and by the statements of people residing in this country and in Europe who are constant purchasers of the bottled water. Dr. Mason further adds that "Regent water is one of the purest I have ever analyzed."

The Sulpho-Saline Spring is rich in the chlorides of sodium and potassium and the sulphates of sodium and magnesium, the continued use of which in this water stimulates healthful action and restores the normal condition of all the secretory organs engaged in the process of digestion, assimilation and excretion. It is an appetizing water and a laxative when drunk in the morning before breakfast; used during the day and evening it acts as an alterative and corrects acid and gaseous conditions of the stomach. It is also valuable in that its salts aid the digestion and assimilation of the "iron-manganese" waters. Sulpho-Saline is notable among waters of the laxative class for the reason that no disagreeable results ever follow its most liberal use—never any nausea, griping or debility. Its effect is to increase the flow of gastric juice and to quicken the peristaltic motion of the bowels, without superinducing nausea or griping.

The Elms and the Snapp are the largest hotels in Excelsior Springs, but numerous smaller hotels as well as boarding houses provide abundant accommodations. The bankers of Excelsior Springs and the Commercial Club will welcome any visitors that the Bankers' Health Commission may recommend.

Idaho Springs.

Another resort at which the commission has made arrangements for the care of bank invalids on favorable terms is Idaho Springs, Colo., which combines in a singular way the three primary essentials of a genuine health resort—healing waters, inspiring scenery, and dry, invigorating atmosphere. The thermal waters of Idaho Springs issue from natural vents, not from drilled wells. Of the eleven springs, three have been developed by intercepting the underground watercourses by tunnels which preserve the heat of the waters and make natural inhalatoriums in which the sick and ailing may secure the various recognized remedial effects of bathing and drinking these curative radium waters and inhaling the gases arising from them.

Until the discovery of the radioactivity of the waters at Idaho Springs, it was generally conceded that the drainage water of the pitchblende mines of St. Joachimsthal, Bohemia, were higher in radium emanations than any other mineral waters in the world. The official report of the Imperial and Royal Sanatorium for Radium Therapy at St. Joachimsthal says: "The mineral springs in the possession of the Austrian Government coming from the uranium-ore mine at St. Joachimsthal contain a natural value of radium-activity of 600 mache units." The waters of Idaho Springs, ranging from 1,115 to 2,840 mache units, are from two to four and one-half times stronger than these celebrated radioactive waters of St. Joachimsthal.

Idaho Springs is peculiarly accessible. It is only thirty-seven miles due west of Denver and may be

reached by several trains daily over the Colorado & Southern Railroad through picturesque Clear Creek Canyon or by automobile in two and one-half hours over the new Midland Trail road, which has been termed the "best mountain highway in America." It traverses the foothills through Denver's new Mountain Parks from Lookout Mountain to Genesee Peak, and never rises above a six per cent. grade. Automobile roads lead out in other directions from Idaho Springs, including two good roads over the Continental Divide, making all this mountain country easily accessible.

The Swiss-like scenery of Idaho Springs contributes much to the early recovery and more particularly to the "after-cure" of those in physical distress who come to Idaho Springs for relief and relaxation. In Switzerland many celebrated cures have been developed by reason of the scenery and climate alone, without the aid of such remedial waters as we have at Idaho Springs.

Idaho Springs is situated only fifteen miles from the crest of the Continental Divide and is surrounded by a half dozen mountains towering higher than Pike's Peak. Dozens of lakes, some even above timber-line, have been stocked with mountain trout. Some wild game may still be found around Idaho Springs and invite the sportsman, who can find grouse shooting and small game in season. There are mountain trails and good roads for walking and riding, and pleasant walks to entice the convalescent out of doors.

Besides mountain climbing and its accompanying summer and winter sports, Idaho Springs maintains a good baseball club, has a theatre and billiard rooms, and this summer will have a new nine-hole golf course and tennis and croquet grounds. One could spend two months in Idaho Springs and each day find something new to enjoy and to occupy his time.

The metal mines and ore mills around Idaho Springs provide one of the many interesting diversions for the health seeker who must keep his mind

occupied. The longest mining tunnel in the world has its portal in Idaho Springs, and many notable mines have been opened and are operated within easy walking distance. The methods of mining gold and silver and the intricate processes of recovering the precious metals, all may be seen here in Idaho Springs.

The climate of Idaho Springs is more equable than that of Denver or any other town of Colorado. Our mean temperature varies from six to sixteen degrees above that of Denver. This is probably due to the peculiar contour of the surrounding mountains.

Idaho Springs is singularly healthful. Its domestic water supply comes from high up on the mountains, beyond range of possible pollution. The sewerage system is most complete and every precaution is taken to keep the town free from disease. Tuberculosis does not originate in Idaho Springs. Malaria and kindred diseases are absolutely unknown. Not a single case of typhoid fever originating in Idaho Springs has been reported in the last three years.

Idaho Springs has telegraph and local and long-distance Bell telephone. It has a large Carnegie Library open at all times to the public, and its schools, grade, high and manual training are recognized as among the best in the Western country. There are also several churches of different denominations and numerous fraternal organizations and clubs, all of them inviting the attendance and affiliation of visitors to the Springs. In fact Idaho Springs deserves its claim of being the "spotless town" of the Rocky Mountain region. It is beautiful and attractive and its citizens and municipal authorities join in dressing it in its best garb the year round in honor of the visitors who come to its radium waters every season. The new Hot Springs Hotel is a high-class institution which will give favorable terms and accommodations to members of the Bankers' Health Commission. The bankers of Idaho Springs will cordially welcome any bankers that may visit their city.

MORTUARY RECORD OF ASSOCIATION MEMBERS

Bailey, John N.—President Farmers' Bank, Spencerville, Ohio.
Cunningham, E. F.—Vice-President Waxahachie National Bank, Waxahachie, Tex.
Eoff, L. W.—Cashier American National Bank, Findlay, Ohio.
Fricke, Louis W.—Assistant Secretary Mississippi Valley Trust Company, St. Louis, Mo.
Gurley, William F.—President Union National Bank, Troy, N. Y.
Hamby, William R.—President Citizens' Bank & Trust Company, Austin, Tex.
Hefforan, Thomas—President Peoples' Savings Bank, Grand Rapids, Mich.
Keippel, George—Vice-President North Avenue State Bank, Milwaukee, Wis.
Ludlam, James Henry—One of the founders of the Oyster Bay Bank, Oyster Bay, N. Y.
Macomber, Lewis A.—President Citizens' Bank, Perry, N. Y.
Meier, Henry, Jr.—Vice-President Franklin Bank, St. Louis, Mo.
Mitchell, Jethro G.—First Vice-President The Home Savings Bank, Toledo, Ohio.
Phillips, William M.—President First National Bank, Huntingdon, Pa.
Ream, Norman B.—Director First National Bank, Chicago, Ill., and Metropolitan Trust Company and New York Trust Company, New York City.
Robertson, G. W.—Vice-President First National Bank, Paducah, Ky.
Ross, Robert Sutherland—Vice-President Commercial Trust Company, Jersey City, N. J.
Wright, J. H.—President First National Bank, Guymon, Okla.

How Association Banks are Getting Burglary Insurance That Insures

Sneak Thefts Come Under the Classification of So-called "Outside" Losses—Injustice of the Old Restrictive Condition that Loss Must be Effected by the Use of Force or Violence or the Threat of Either.

Bank Burglary Insurance is a term usually applied to a combination form of insurance policy undertaking to reimburse the insured bank for loss due to burglary, robbery or hold-up. In the early history of this form of insurance the liability of the insurance company was limited to loss of money, securities, etc., by reason of burglary only, and such burglary was defined as the forcible entry into the safe or vault by the use of tools, chemicals or explosives.

From time to time, as the insurance companies gained more experience in writing this class of business, accumulated more data upon which to base their underwriting, it was found profitable to broaden the coverage of the policy to include reimbursement for loss of both the property of the bank, including damage to equipment, and also the property of others in the custody of the bank and for which the bank might be liable, and the manner in which such loss might be sustained was broadened to include not only burglary of safes or vaults, but also hold-up or robbery accomplished by force or violence, or by the threat of either, and resulting in loss of money, securities, etc., in the banking rooms, in the safes or vaults, or in transit to or from either.

This form of insurance as offered by insurance companies licensed to do business in this country has always been limited to various restrictive conditions, among such conditions being:

- 1st. No officer or employee or servant of the bank might be criminally implicated in the loss;
- 2d. The loss must in each case be effected by the use of force or violence, or the threat of either.

Another character of loss apparently not covered in this form of insurance has occurred from time to time and is referred to as sneak-theft, and is described as a felonious abstraction of money, securities, etc., from the premises of the bank by others than the officers, employees or servants of the bank, and without the use of force or violence or the threat thereof. The insurance companies have consistently denied liability under their burglary insurance policy for loss of this sort, upon the theory that the element of inside collusion may be so easily included that the risk is not a profitably insurable one.

On December 22, 1914, the receiving teller of the Central National Bank of Richmond, Va., reported a loss by sneak-theft of \$2,000. The teller had been called to the telephone booth in the bank and engaged by some unknown person in a conversation regarding the opening of a new account in the bank. Upon his return to his desk, four packages of bills containing \$500 each were missing, and because of

the known presence in the city of bank thieves at that time it was presumed that the loss was due to sneak-theft. The bank notified the insurance company in which its burglary insurance was written upon the old 1911 copyright burglary form of the American Bankers Association (since retired), and the insurance company promptly denied liability. The Insurance Committee of the American Bankers Association was requested to advise with the bank. As a result the claim was again presented to the insurance company, the bank relying not upon the conditions contained in the burglary policy, but upon the broad theory that burglary insurance contemplated protection against all so-called "outside losses," in which no collusion on the part of the bank or its employees existed. The bank further relied upon its understanding of the representation made by the agent of the insurance company when selling the policy to include losses of this character. The insurance company made settlement as outlined in the following letter:

THE CENTRAL NATIONAL BANK,
RICHMOND, VA.

Richmond, Va., February 16, 1915.

Mr. B. A. Ruffin,
Secretary Insurance Committee A. B. A.,
Richmond, Va.

My Dear Sir:

Relying to your letter of the 15th instant, I will say that we received on Saturday the 13th instant a draft for \$1,000 from the Maryland Casualty Company in settlement of our claim against them. As a matter of interest to us, and possibly to you also, we have kept a copy of the form which conveyed to us settlement. This form contained the following legend:

"In consideration of the payment of the above draft of \$1,000, we hereby discharge and release the Maryland Casualty Company from all claim for indemnity under Policy No. 6061 on account of LOSS BY SNEAK THEFT ON OR ABOUT DECEMBER 22d, 1914. It is understood that this payment shall not be construed as an admission of any liability on the part of the company for the said accident or illness or results therefrom."

Permit me to express on the part of the Central National Bank our deep appreciation, not only of the services you have rendered us, but also of the delightfully courteous way in which that service was given. If there are, in connection with this settlement, any further details which you desire to obtain, I shall be pleased to give them to you.

Very truly yours,
Charles Hutzler, President.

The Insurance Committee of the American Bankers Association has made careful investigation of the losses paid under burglary insurance policies to member banks of the Association during the years of 1913 and 1914. The proportion of losses paid to premiums received by the insurance companies is so favorable to the insurance companies that they can easily afford the most liberal interpretation of their burglary insurance contracts. The above noted settlement is one of great interest.

NO LACK OF OPPORTUNITY FOR BANKERS OF ABILITY

Governor Benjamin Strong, Jr., of the Federal Reserve Bank of New York, Tells New York Chapter Banqueters the Possibilities Created by the European War—Our Bankers Must Extend the Same Character of Credit to Our Customers that Other Nations Have Extended to Their Customers—Importance of the Institute Industry of Making Bankers.

A few weeks ago, one of the New York daily newspapers published an article, over the signature of its financial editor, in which it was stated that there was no longer a very great inducement for young men to seek employment in banks in New York; the ranks were pretty full, advancement was slow, and the salaries were small.

The newspapers are sometimes wrong, and I think the writer referred to was wrong in making that statement. I believe the records show that the banking resources of this city double every fifteen years. That, in itself, is a complete answer to the statement that banking opportunity is lacking in New York. It is peculiarly untrue at the present time. We are now witnessing a great military conflict in Europe which involves half of the civilized world. One of the results of that conflict has been to tremendously reduce productive capacity, to interfere with the channels of trade, and to interrupt the service of great credit institutions.

An obligation is imposed upon neutral nations to do their part to furnish food, clothing and other necessities of life, which can no longer be completely furnished by the productive nations of Europe. The greater part of that burden rests upon this country. We have the material resources, the farms, the mills, and the men to operate them. Our merchants can at present sell vast amounts of their products all over the world, under conditions that may not continue. Their ability to continue permanently to hold these markets, however, must necessarily depend upon the ability of our bankers to extend the same character of credit to our customers that other nations have extended to their customers. We have the material resources. We have the credit resources. The one thing that we deplorably lack is knowledge of foreign banking.

It seems to me that the American Institute of Banking has got an equal opportunity with our merchants and with our bankers to furnish something that is very greatly needed in our banking system, and that is, men adequately equipped to embark in this new branch of American banking. May I wish for the American Institute of Banking the utmost success in the great industry that it is now conducting—THE MAKING OF BANKERS.

REVENUE TAX ON ACCEPTED TIME DRAFTS.

J. B. Birmingham, of the Citizens Central National Bank of New York, sends us additional data with reference to the tax on promissory notes. On page 447 of the January JOURNAL-BULLETIN there were printed three sample forms of acceptances which Mr. Birmingham had submitted to the Collector of Internal Revenue in New York, and upon which he was informed no documentary stamps were required. Referring to these drafts, Mr. Birmingham writes: "We to-day had a similar case arise, when one of our customers wished to discount a time draft, drawn by one of his employees and accepted by him. On account of the large amount of money involved in the transaction, we again sought an opinion from the Collector's office. He stated that accepted time drafts needed no revenue stamps except when they were drawn for the purpose of evading the payment of the tax on promissory notes, in which case the stamps were necessary."

NEXT SUMMER.

For ME no more the foreign shore
Which called me yesterday;
No more shall Rome lure me from home,
Nor Paris, giddy, gay.
I shall not view the Nile of blue;
Venetian scenes will lose me, too.
My mind's inclined the scenes to find
"Made in the U. S. A."

The desert's waste I shall not taste,
Nor note the sky of gray
Which oft enshrouds the London crowds
(Of late far from blasé).
No antique tower shall have the power
To draw from me a single hour;
My mind's inclined the scenes to find
"Made in the U. S. A."

I have no means to view such scenes;
It costs to go away,
And I must eat. But what a treat
To let my fancies stray!
So 'neath the trees, with blowing breeze
To cool my brow, I'll sit at ease—
My mind's inclined the scenes to find
"Made in the U. S. A."

—A. Walter Utting, in Judge.

OFFICIAL BADGES.

There are a few of the official badges left over from the Richmond Convention which will be sent to such of our members as would like them, on request in writing to the General Secretary. Until the supply is exhausted they will be sent out in the order in which applications are received.

TRUST COMPANY SECTION

OFFICERS, 1914-1915.

PRESIDENT:

RALPH W. CUTLER, President Hartford Trust Co.,
Hartford, Conn.

FIRST VICE-PRESIDENT:

JOHN H. MASON, Vice-Pres. Commercial Trust Co., Philadelphia, Pa.

CHAIRMAN EXECUTIVE COMMITTEE:

UZAL H. McCARTER, President, Fidelity Trust Company,
Newark, N. J.

SECRETARY:

PHILIP S. BABCOCK, 5 Nassau Street, New York City.

ANNUAL BANQUET TO BE HELD ON MAY SEVENTH

At the last convention of the Section in Richmond, early in September, the question was thoroughly considered as to whether the Section, representing the trust companies of the country, should arrange to have, as for the past four years, an annual banquet of the trust companies of the United States. In view of the European war and the resulting unsettled and disturbed condition of affairs generally throughout the country, there were some who felt that such a festive gathering of trust company representatives and their friends might be unwise. Those who advocated the abandonment of the banquet pointed out that several large banquets usually held in New York during the winter months were to be given up. Others, however, suggested that the decision be deferred until later. As the banquet was not to be held until May, when there was every reason to hope and believe that conditions would be much more favorable, the point was made that it was quite probable that bankers generally, after a long, trying autumn and winter, would be glad to get together and talk over the situation and listen to addresses by distinguished speakers. It was finally decided to refer the matter to the following committee of the officers of the Section, together with several New York and Philadelphia trust company officers:

Ralph W. Cutler, President Hartford Trust Company,
Hartford, Conn.

John H. Mason, Vice-President Commercial Trust
Company, Philadelphia, Pa.

Uzal H. McCarter, President Fidelity Trust Company,
Newark, N. J.

Alex. J. Hemphill, Chairman of the Board of the
Guaranty Trust Company, New York, N. Y.

John W. Platten, President United States Mortgage
and Trust Company, New York, N. Y.

William C. Poillon, Vice-President Bankers' Trust
Company, New York, N. Y.

A. A. Jackson, Vice-President Girard Trust Company,
Philadelphia, Pa.

This committee met at the offices of the Association on February 17th. It was generally agreed by all present that conditions have so changed as not only to justify but to make it advisable to hold this banquet. The date selected, May 7th, was chosen so that members of the Council of the Association, who will be at Old Point Comfort on May 3d, 4th and 5th, will have time to return to New York and join the trust company representatives at the banquet, which, from the tentative arrangements already made, promises to be equally as brilliant and successful as its

predecessors. It may be said that this trust company banquet has become one of the important banking functions of the year in New York City, and is attended by representative bank officers and their friends and associates from all parts of the country. It may be recalled that at the first banquet, in 1911, the Hon. Nelson W. Aldrich, Chairman of the National Monetary Commission, expounded his views on "The Relation of Trust Companies to Monetary Reform" and laid down for the first time the principle that no system of monetary reform could succeed unless the eighteen thousand or more State banks and trust companies were recognized as an integral part of the financial system of the country. This is fully recognized in the recently enacted Federal Reserve Act. At the same dinner the Hon. A. Barton Hepburn, President of the New York Clearing House Association, delivered a forceful address on "Trust Companies and the Clearing Houses," and described interestingly some of the occurrences which affected the banking world in 1907. At another dinner the Hon. Simeon E. Baldwin, then the distinguished Governor of Connecticut, delivered an address on the "Trust Company as a State Institution," and the diners were welcomed in a witty and forceful address by the Mayor of New York City, the late William J. Gaynor. At other dinners those present had the pleasure of listening to such distinguished orators as George B. Harvey, Editor of the "North American Review"; the Hon. James R. Garfield, Secretary of the Interior in President Roosevelt's cabinet; Hon. Chauncey M. Depew; Festus J. Wade, of St. Louis, and others. While it is too early to announce the names of those who will make addresses at the coming banquet, it may safely be said that they will be equally as prominent as those who have been mentioned.

The following trust company officers, chosen for their proximity of residence to New York, have kindly consented to serve as a committee of arrangements:

Alexander J. Hemphill, Chairman of the Board Guar-
anty Trust Company, New York.

A. A. Jackson, Vice-President Girard Trust Company,
Philadelphia, Pa.

Clarence H. Kelsey, President Title Guarantee &
Trust Comany, New York.

Willard V. King, President Columbia Trust Company,
New York.

Alvin W. Krech, President Equitable Trust Company,
New York.

Edwin S. Marston, President Farmers' Loan & Trust Company, New York.

Edwin G. Merrill, President Union Trust Company, New York.

John W. Platten, President United States Mortgage & Trust Company, New York.

Seward Prosser, President Bankers' Trust Company, New York.

Philip Stockton, President Old Colony Trust Company, Boston, Mass.

George C. Van Tuyl, Jr., President Metropolitan Trust Company, New York.

Ralph W. Cutler, President Hartford Trust Company,

Hartford, Conn., President Trust Company Section.

John H. Mason, Vice-President Commercial Trust Company, Philadelphia, Pa., First Vice-President Trust Company Section.

Uzal H. McCarter, President Fidelity Trust Company, Newark, N. J., Chairman Executive Committee Trust Company Section.

The Secretary will shortly send out to each member of the Section a full notice of this banquet, with subscription blanks, and it is earnestly hoped that our members will be glad to join with their friends from all parts of the country and aid in making this dinner as great a success as the preceding ones.

BANK OF ENGLAND REDISCOUNT POLICY

Charles A. Conant, in one of the new chapters of his work on "Modern Banks of Issue," says:

"One of the most notable monetary lessons of the crisis was the success of the rediscount policy of the Bank of England in protecting British credit and maintaining the reputation of London as the clearing house of the world. At the outbreak of the panic the Bank of England was poorly equipped with gold in comparison with the Continental banks, relying, as usual, upon the ability of the London market to draw gold from other countries through the foreign bills accepted by London banks. The Bank of England had not been a party to any considerable extent to this class of business, and for a few days the fact that the joint-stock banks were unable to collect the obligations due to them from abroad threatened a breakdown, which would have greatly impaired, if not destroyed, the prestige of London as a financial center.

"The question arose, also, which had arisen in previous crises, whether the banking reserve of the Bank of England would be adequate to meet the increased demands upon it for discounts. There was grave danger that the mere suspension of the Bank act, which had saved the situation in the domestic crises of 1847, 1857, and 1866, would go but a little way toward averting panic in a period of universal suspension of gold payments on the Continent and the general adoption of the moratorium. The British Government rose resolutely to the requirements of the occasion by announcing, on August 12th, that they would practically guarantee the Bank of England against loss on bills of exchange rediscounted for the joint-stock banks and the bill houses, where such documents had been accepted before August 4, 1914.

"The result of this policy was a flood of demands upon the Bank of England, which for several days exhausted its clerical force and compelled it to suspend rediscounts at an early hour in the day. On July 30th the 'other securities' held by the bank, which represented commercial paper and other collateral held, apart from Government obligations, stood at the comparatively normal point of £47,307,000, (\$230,625,000.) This amount was increased during the following week to £65,351,000, in the next week to

£70,786,000 in the week of August 20th, after the Government guarantee was announced, to £94,726,000, and in the week of August 27th to £109,904,000, (\$535,800,000.)

The reserve was such that the proportion usually maintained—40 per cent. or more in notes against deposits—fell in the week of August 7th to 14.60 per cent. During the next three weeks gold arrived in considerable amounts from South Africa, America, and other sources, and increased the bullion holdings of the Bank from a minimum of £27,622,000 (\$134,650,000) on August 7th, to £33,014,000 on August 13th, £37,959,000 on August 20th, and £43,473,000 (\$211,950,000) on August 27th.

"Thus, within three weeks, the gold resources of the bank were increased by nearly \$80,000,000; but even these great gains in the yellow metal raised the banking reserve against deposits to only 17.20 per cent. on August 13th, and it was several weeks before this ratio was materially exceeded. Ultimately, however, the ratio increased to 24.51 per cent. on October 8th, and continued to rise with the increase in the gold stock and in the liquidation of maturing bonds. The bank was able to reduce its discount rate on August 13th to 5 per cent., and the restoration of confidence, coupled with the cessation of Stock Exchange business, enabled the joint-stock banks to offer money by the middle of September as low as 2½ per cent.

"The joint-stock banks, which were naturally timid about rediscounting acceptances payable by foreigners, in view of the general moratorium, followed the same policy which they had pursued in earlier crises, of carrying the proceeds of their borrowing from the bank to the credit of their deposit accounts, in order to increase their available cash resources and improve the appearance of their balance sheets. As a result, the item of 'other deposits,' apart from those of the Government, increased from £54,418,000 on July 30th to £146,646,000 (\$714,900,000) on October 8th. From this time set in a tendency to decline in such deposits, which indicated that the severity of the tension was over and that the joint-stock banks were beginning to take care of their clients from their own resources."

SAVINGS BANK SECTION

OFFICERS, 1914-1915.

PRESIDENT:

W. E. KNOX, Comptroller Bowery Savings Bank, New York City.

FIRST VICE-PRESIDENT:

N. F. HAWLEY, Treasurer Farmers & Mechanics Savings Bank,
Minneapolis, Minn.

SECRETARY:

E. G. McWILLIAM, 5 Nassau Street,
New York City.

Postal Savings Banks in Particular and Government Ownership in General

Timely Talk by William E. Knox, Comptroller of the Bowery Savings Bank of New York and President of the Savings Bank Section of the American Bankers' Association—Address at the Banquet of New York Chapter of the American Institute of Banking.

I have been extremely interested in the remarks of Professor Jenks on government ownership. There is a very decided trend at the present time toward government direction in almost everything. I do not know much about the parcels post. I do know, however, that the railroads are protesting vociferously that the parcels post is being conducted by the Government as cheaply as it is because the railroads are largely paying the freight, and I very respectfully submit that none of us, who are good American citizens, care particularly about getting things we do not pay for, even if the Government gives them to us.

There is another department of government activity that has been quite interesting of late, and that is the matter of postal savings banks. Being a savings bank man, I feel a little bit strongly on the subject. When postal savings banks were first suggested in this country several years ago, there were vigorous protests against the Government engaging in the savings bank business. I do not think that opposition was at all well advised, because the history of the postal savings banks in every country in the world where they have been tried shows that they do not interfere with the business of the established savings banks, but, on the contrary, act as feeders.

I think that bankers have come to the point where they are not averse to the postal savings bank as such, but they are averse to some of the things that the postal savings bank wants to do. A year ago I had the pleasure of acting as a member of a committee to see what could be done toward preventing the passage of a bill which had been introduced in the U. S. Senate, permitting postal savings banks to receive deposits up to one thousand dollars at one time, with the payment of interest thereon, and above that thousand dollars permitting them to receive unlimited deposits, but to pay no interest on the excess of a thousand dollars. That seemed to us to be a very dangerous step to take, because, in times of financial difficulty, people who sometimes are afflicted with "cold feet" might go not only to the mutual savings banks, but to the commercial banks and trust companies and withdraw their deposits

and put them in the safekeeping of the Government, regardless of the fact they were getting no interest on them, thus withdrawing from circulation large amounts of money that it would be difficult to get back into circulation again.

We were very frankly told by the officials of the postal savings bank that the reason they wanted to remove the limit from the amount of deposit was that, since the starting of the postal savings bank system two or three years before, the department had run at a loss to the Government of nine hundred thousand dollars, and "they needed the money." If you want any more arguments for government interference in private business, I have no doubt there are plenty of people who can give them to you. I am giving you the one argument I happen to know something about.

And now a word to the members of the Institute. In the invocation, thanks were rendered for the blessings we enjoy, for life and for strength and for hope and for labor. We all have life, and we all have strength, and goodness knows bank clerks need hope, and bank clerks also know that nowadays they get plenty of labor. But it is the men who have the ambition to do Institute work, to come away from their desks after a hard day's work and put in the evening in studying the scientific side of banking, who are to be the bank officers of the future. The men who are active in Institute work are the men who are coming up through the ranks, who are becoming the officers of our banks, and in that one thing lies the future hope of banking in this country.

We need men who are trained in scientific banking, not men whose outlook is bounded by the walls of their own institution, nor whose vision is simply a local vision; but we want men who can look around the world and see the opportunities for America that are daily coming within our reach.

We are talking of buying a merchant marine. I submit it would be a waste of money to buy steamships. If we can buy sailing vessels and conserve the energies that are being wasted in Congress in the production of wind, we will have breezes enough to run sailing merchant marine for the next hundred years.

If Washington will only let us alone for a while to go about our business, without threatening us with an avalanche of laws, which possibly might be good, but which probably, to judge by the past, would be bad, we can get along with a great deal more satisfaction than we are getting along now, and with a great deal more comfort.

If they devoted their energies for a little while to preparing a perch for the "Dove of Peace" when she gets ready to perch, it would be a good thing. But that appears to be a rather remote possibility, because I read the other day that when last seen the Dove of Peace was sitting on an empty grape juice bottle on a lump of quartz that bore slight traces of silver, and on a white china doorknob that looked as though it had come off in somebody's hands when he tried, on a former occasion, to get into the White House, and nobody knew what was going to be hatched.

THRIFT PUBLICITY

Some Things That Individual Banks Might Do

The Savings Bank Section, we believe, has been accomplishing good results in the constructive work of spreading the "gospel of Thrift." We have invoked the aid of press and platform in the effort to place before the public the importance of the thrift habit and the need for its greater development. Excellent speakers have taken part in local campaigns; "Thrift Talks" furnished by the Section are published in hundreds of newspapers; information and suggestions for the establishment of school savings systems are provided in pamphlet form; the moving picture is used to show in graphic style a concrete series of facts illustrating the "Reward of Thrift." The latest feature is the "Movable Thrift Exhibit," which represents the joint efforts of the Savings Bank Section and the Young Men's Christian Association. This interesting campaign was described in last month's JOURNAL-BULLETIN. All this work is good and is getting better as our members begin to realize the good results that will follow, especially if they will but follow up with a little individual assistance.

It occurs to us that one of the cheapest, if not also one of the most effective, mediums through which to educate the people and arouse their interest in thrift has not been used to any appreciable extent. That medium is the bank itself, which finds itself in possession of several good publicity and educational facilities which it seldom, if ever, takes advantage of. It is true that many banks display window and other signs which advertise the rate of interest on deposits, facilities offered, and similar matters which the average individual pays as little attention to as the laborer pays to the gilded letters that form the conventional frieze around two sides of the corner saloon. The kind of "home" advertising that is best adapted to the organized thrift campaigns undertaken by this Section is the kind that the railroads have been indulging in during the last year or two.

For instance, all railroads have been presenting their case in a clear and forceful manner in time tables and folders and in all other literature incidental to their business. The Pennsylvania Railroad has gone even further, and every station of this great system is furnished with placards which explain what the road is doing for the improvement of its service; what it is doing for its employees; what its plans for the future are. The placards are changed from time to time, yet each retains the central idea, which is to convince the public that the

needs and demands of the railroad are not unreasonable and are for the ultimate good not only of the railroad but of the people who use it.

Why not a monthly placard in your bank corridor or at your tellers' windows? Your customers are bound to read them, and if the message is forceful and well told, you have reached the very man you want to reach and in the right way. It is common knowledge that not more than ten per cent. of your savings depositors know anything about banking. Why not tell them something? Why advertise "Put your idle money to work; we pay 3½ per cent. interest on Savings Deposits," and stop there? Tell your depositor how you put his money to work; he does not know. Tell him how homes are built or bought with borrowed money; how factories and railroads are financed; how the local industries that give him employment could not operate unless some one had saved money. Keep the central idea in his mind that the bank is more than a storehouse for savings. Acquaint him step by step with the fact that the bank is as necessary to him as the railroad or the school. Do not preach thrift as an abstract virtue, but as a concrete necessity.

We do not presume to understand the psychology of advertising, but we do believe a valuable opportunity is lost in not presenting to the savings bank depositor, while he is in your bank, the desirability of saving more and saving regularly. The bank always interests him while he is inside. It is a constant mystery. What becomes of his money? How is he to know that it is safe? How does interest accumulate? And yet, as he stands in line waiting to make his all too infrequent deposit or seeks to withdraw the money which would better remain on deposit, the bank lets slip this most opportune time to give him the very information he needs most.

The best advocates of thrift are those who are thrifty; who keep savings bank accounts and thus establish and maintain their self-respect. Put into their possession the sound arguments for thrift, and you may be sure they will pass the word along to others. Not only will you thus serve the community and the bank, but you will go far toward allaying that increasing distrust and fear of banks that the untaught usually labor under.

FORMS FOR SAVINGS BANKS AND SAVINGS DEPARTMENTS IN COMMERCIAL BANKS AND TRUST COMPANIES.

Orders for the above book are still coming in. It will be remembered that this book was published at cost to our members, and while it in no sense pretends to illustrate the best forms adaptable to every locality or to furnish an exhibition of forms, it does claim to present those forms necessary to the operation of each department of a savings bank or savings department, and that said forms are typical, containing the essential features, from which, if desired, bankers may construct other forms conforming to the local or legal conditions under which each operates. This book also contains certain information such as, for instance, typical sets of rules and regulations of both mutual and stock savings banks, five different methods of figuring interest to depositors, methods of proving daily transactions, etc., etc.

CLEARING HOUSE SECTION

OFFICERS, 1914-1915.

PRESIDENT:

A. O. WILSON, Vice-President State National Bank, St. Louis, Mo.

VICE-PRESIDENT:

J. D. AYRES, Vice-President The Bank of Pittsburgh, N. A.,
Pittsburgh, Pa.

CHAIRMAN EXECUTIVE COMMITTEE:

W. D. VINCENT, Vice-President Old National Bank,
Spokane, Wash.

SECRETARY:

O. HOWARD WOLFE, 5 Nassau Street, New York City.

CLEARING HOUSE EXAMINATIONS OR GUARANTY OF DEPOSITS?

In his speech before Washington Chapter of the American Institute of Banking, printed in full in this issue, the Secretary of State expressed his confidence that the time will come when "we shall have some protection by which every depositor will be secure, some provision by which a deposit in a bank will be as good as a government bond, some provision that will make panics impossible, because there will be no runs on banks when every bank is secure and every depositor certain to get his money." Mr. Bryan was, of course, discussing the general subject of deposit guaranty, which he has advocated consistently and with honesty and sincerity of purpose for at least eight years. Where Mr. Bryan is wrong—and his error stands out with remarkable clearness in the Washington speech—is in thinking that bankers are not equally honest and sincere in opposing the guaranty of bank deposits. Surely no one is more anxious nor more deeply concerned than the banker in hastening the day when all banks shall be as solvent as the Government. That was not a happy choice of simile of Mr. Bryan's, because there have been times when government bonds were not very highly regarded and they were disposed of only when an artificial market had been created for them through the National Bank system which Mr. Bryan stigmatizes as a "system devised by financiers." In comparing financial conditions of the past with those of the present, Mr. Bryan has evidently taken counsel of his animus against bankers rather than of his knowledge of American history.

However, it is not of these matters that we wish to speak. Mr. Bryan made one statement that illustrates a lack of accurate information which we are sure he will be glad to have corrected. He said, "I challenge you to find one important act for the protection of the depositors or community that originated inside of a bank. These things all come from the outside." We accept that challenge, and in so doing it is necessary to point to several flaws in Mr. Bryan's arguments, because the plan that originated "on the inside" is a far better plan than any thus far suggested from the "outside," in support of which outside plan several formidable appearing, but lamentably weak arguments were used by the speaker. The plan of which we speak has been in operation since 1906, before the panic which gave rise to most of the agitation for deposit guaranty; a plan that is sounder in principle and practice and proven better by actual test than any other plan of guaranty. Under it no depositor has ever lost a penny. That plan is the plan known as Clearing House Examinations.

The idea originated with a banker, has been advocated and extended by bankers and has been paid for by bankers. Stung by two recent bank failures in their State, one of which was the "roll of honor bank" for the entire United States for many years, the Pennsylvania Bankers' Association has taken steps to adopt the clearing house plan of examinations for the entire State. Its principles have been applied in the bank examination provisions of the Federal Reserve Act. New though it is, the idea has been taken up in twenty important cities of the country. It has already been extended, as in Los Angeles, to take in surrounding counties as well.

Banks do not often fail and less often do depositors suffer because some one has "robbed the bank from the inside." Banks fail because human judgment is not infallible in the matter of making loans and extending credit. It is one of the inexorable laws of accounting that assets must be realized on before liabilities can be met. Clearing House Examinations recognize this fact, whereas deposit guaranty does not. It would indeed be a curious currency system we would have if it were known that all official assayers at the mint had been dispensed with and all that it would be necessary to do would be to take a heavy yellow metal to the mint and have it coined into "gold" dollars without any previous testing. And so with bank assets that are not subjected to a keen and critical assaying by a trained expert. The Clearing House Examiner is that expert. So great has become the confidence reposed in his judgment that in four of the twelve Reserve Banks the clearing house examiner has been chosen either as governor or for another of the higher offices of these institutions.

Mr. Bryan said, "Eighty-five per cent. of the money held by banks of this country is the money of depositors and only fifteen per cent. is the money of those who own the banks." These figures are very convincing until one reflects that certainly no small proportion of stockholders are also depositors, and that about twenty per cent. of all bank deposits in the United States are in mutual savings banks having no capital whatever, the entire bank being owned by the depositors. Mutual savings banks have failed in this country at least as seldom as Presidents have been elected from Nebraska. But let us examine more closely into Mr. Bryan's bank deposit statistics. He asks, "Is there any reason why a man should put his money in a bank except that he can get it out when he wants to?" Let us stick a pin in here. Does the depositor put money in the bank? Not

always; not even usually. Three dollars out of every four of bank deposits are not deposits of money, but of credit. Our 85 per cent. of bank liabilities does not look so imposing when we consider that almost four-fifths of it is based on credit. The other 15 per cent., the stockholders' interest, is mostly all money, the law prohibiting bank capital from being paid in in evidences of debt, that is, in credit. Or let us put it another way. The entire money stock of the country is less than four billions of dollars, whereas the entire bank deposits of the country are almost eighteen billions. The fourteen billions of difference between the two amounts represents the credit structure that has been reared on the four billions basic supply of money. If any great number of those to whom this credit has been extended fail to pay their debts when due, the whole framework of the edifice—faith—is weakened and we have panics and bank runs. As soon as trained bankers are able to devise a way whereby the solvency of bank assets, the debts owed to the bank, are assured, just so soon will all depositors be certain of their money, and not before. Let us suppose bankers should be willing to be assessed—and Mr. Bryan says he cannot understand the banker's logic which opposes such an idea—what then? Would not depositors share by far the largest part of such an assessment, since 85 per cent. of the banking power of the country is theirs anyway? And if loss comes, as loss inevitably will from time to time, even without any element of dishonesty involved, are bankers to ignore their right and duty to seek to prevent the loss, or are they merely to see to it that, suffer who may, the depositor alone must be absolutely secure? What about the stockholder or the borrower?

Not every agitation that torments the banker is in the interest of the bank depositor. There is another army of "reformers" who assail the defenders from another direction. If a banker should rely upon his trained judgment and refuse credit to an applicant, let him not feel a sense of satisfaction in having performed an unpleasant duty on behalf of his bank, his depositors and the community. Rather let him beware! It may happen that the would-be borrower of other people's money on poor security has been refused before and he is beginning to feel aggrieved. His prospects look so rosy to him! He is so sure that the next ton of ore will be "pay dirt," if only he can raise enough money to mine that next ton. But he is turned down again, and then how refreshing to have a sympathetic ear in which to pour his troubles! When the investigation is started against the demon money trust that thus dares to restrict free credit, it will be noticed that this time it is the banker's money that is to be pried loose from his control. The depositor, the man with the 85 per cent. interest, is forgotten. No, not forgotten. The banker is his friend. That is why he is a banker. That is what a banker is for. To Mr. Bryan's credit be it said that he is well aware of this situation, and he has expressed it very aptly. "The very man who needs money most is the man to whom you cannot loan; for the fact that he needs it most is proof that he has not the security that is ordinarily required, or he could have secured the money before he needed it so badly. You are the custodian of other people's

money and you are not at liberty to make unsafe loans." If Mr. Bryan would only go a step further and apply that paragraph to his deposit guaranty idea as positive and negative equations are applied in an algebraic problem, he would never again advocate a bank assessment plan of deposit guaranty.

What is chiefly wrong with Mr. Bryan's idea of deposit guaranty is that it is an insurance problem to which he refuses to apply insurance principles. He thinks it preposterous that bankers who resent what he says about them will not trust each other! He is again wrong there. Bankers do trust each other, but they insist that they may choose whom they will trust. They reserve the right of the insurer to discriminate as to the insured. A chain of State banks failed recently in Chicago and a news item states it will be five years before the depositors in one of them will receive their final dividends. Here is fine ammunition for the exponent of deposit guaranty of the "outside" idea. Let us see. These failed banks were not guaranteed under the banker's, the "inside" plan, the Clearing House Examination plan. The public knew it. There was no possibility of concealing the facts. These banks were not protected by the other banks because they were not good "risks." Again we quote: "The banker will not loan to the farmer unless he will get some other farmer to go his security." Exactly. But we may ask, is that "other farmer" compelled to go security? Would Mr. Bryan favor a law that would compel him to endorse the note of every other farmer in Nebraska? Another flaw in the guaranty plan is that we do not find any restrictions imposed that will prevent incompetent persons from engaging in the banking business. There is no looser term in legal or newspaper English than the word "banker." The law is somewhat careful in giving license to doctors, lawyers, teachers, and even plumbers, but most anyone can engage in the business of banking. The real bankers of the country have certainly suffered enough for the sins of the pseudo bankers without adding to their burdens by compelling them to make good the losses due to incompetence.

But we should not, as bankers, flatter ourselves that Mr. Bryan is all wrong and we are all right. Bankers need the very thing that Mr. Bryan has been applying, that is, a good prodding. There is no question whatever as to the efficiency of clearing house examinations for the promotion of sound banking and the protection of depositors. It rests with bankers to determine whether they have this, the "inside," plan, or whether they have the "outside" plan of deposit guaranty. For ten years the Clearing House Section has advocated a better system of check collection, warning our members that if they did not voluntarily adopt more modern methods, the law would take the initiative away from them. That has happened and again the handwriting is on the wall. Which shall it be, clearing house examinations or guaranty of bank deposits?

NEW MEMBERS.

Two new members have joined the Clearing House Section since the last issue of the JOURNAL-BULLETIN. They are the Clearing House Associations of Lorain, Ohio, and Ogden, Utah.

BANK CLEARINGS AND BANK BUSINESS

One of the many interesting facts about a bank check is that it is never idle. Money may lie unemployed in the pocket, in a bank vault, or buried in the earth. Statistics showing the total money stock in the country are of only abstract value. The bank check, on the other hand, comes into existence only when there is work for it to do, and the trail it leaves behind on bank and clearing house records is of great use as a factor in business barometrics, because such records point to actual transactions. The bank record is far more valuable, however, than the clearing house record, because bank debits show all the transactions of bank depositors, whereas clearing house exchanges show only a part of the business that is done between banks. Two years' experience with the new statistics collected by this Section, known as Total Bank Transactions, indicate conclusively that on an average less than 40 per cent. of checks used in any city pass through the clearing house exchanges. If this ratio were constant there would be no reason why clearings should not continue to be used as a reliable and accurate index of trade fluctuations. Quite the opposite is true. Bank consolidations, increases in clearing house membership, variations in the kind of items cleared, different methods of settling balances, all combine to destroy the usefulness of the figures. One of the many reasons why clearings are misleading is that the same items or similar items do not follow fixed channels.

In the news columns of the New York "Times" there appeared recently the following interesting item:

The largest check on record was drawn yesterday by Kuhn, Loeb & Co. on the National Bank of Commerce in payment for the \$49,000,000 of 4½ per cent. bonds recently sold to them by the Pennsylvania Railroad.

The check, which included accrued interest, was for \$49,098,000. Two Pennsylvania officials came over from Philadelphia to receive it, and they deposited it in the National Bank of Commerce to the credit of the railroad.

The principal transaction thus involved no actual money payment, but was accomplished by a book entry, the National Bank of Commerce charging the amount to one depositor and crediting it to the other.

For this reason also there will be no enormous balances at the Clearing House on account of this bond sale, as there was when payment was made by Kuhn, Loeb & Co. and W. A. Read & Co. for \$51,000,000 bonds of the State of New York a year ago, when \$34,000,000 in cash was taken away in one day by the bank of the Manhattan company, the State's fiscal agent.

The next day the "Times" printed an editorial comment, from which we quote:

The passing of a check for something over \$49,000,000 is interesting for other reasons than for breaking the record for size of credit transferred. In a transaction for almost the same amount not long ago \$34,000,000 cash was used, but not a dollar was taken away when Kuhn, Loeb & Co. paid the Pennsylvania Railway the "cash" for its bond issue. The check was deposited in the same bank, and the debit and credit crossed or cancelled each other without even going through the Clearing House. This is an interesting detail which is published simultaneously with the announcement that the Federal Reserve system is preparing to clear its own checks.

Bank checks have nearly superseded money for all but small retail purposes. The development of the

bank system has altered so that banks clear within themselves. The passing of the largest check will not appear in the clearings, and the enlarged application of that method in the business of the Federal system will reduce the clearings reported even while business is stimulated and enlarged. When the Federal banks clear their own checks they will travel by direct routes, and will appear only in the business of the banks directly concerned. Now they are sent through many banks, involving "exchange" charges, swelling the clearings wherever they appear.

If there could be any more eloquent argument in favor of Total Bank Transactions than the above incident, which is unique only on account of the size of the figures involved, we do not know of it. What happened in New York with respect to this one item happens there and in every other city every day, and yet many bankers and business men place entire confidence in clearings as a trade index. The financial press is ready to begin the publication of total bank transaction figures as soon as clearing houses agree to furnish them. Many are now collecting them and the Clearing House Section will be glad to furnish information and suggestions to all our members on request.

BANK CREDIT MEN.

The bankers' delegates attending the Convention of the National Association of Credit Men held at Rochester, N. Y., last summer held a banquet, which was attended by about one hundred bankers.

This feature of the convention was considered so successful that the officers of the association have appointed a special committee to arrange for a similar dinner to be held at Salt Lake City, Thursday night, June 17, 1915. The committee thus appointed consists of: N. I. Adams, National Shawmut Bank, Boston; R. E. Badger, Utah State National Bank, Salt Lake City; E. E. Blackley, First National Bank, Minneapolis; H. L. Chittenden, Peninsular State Bank, Detroit; B. D. Forster, Bank of the Manhattan Company, New York; T. J. Kavanaugh, Mississippi Valley Trust Company, St. Louis; S. A. Moore, The Norwood National Bank, Greenville, S. C.; F. B. Snyder, First National Bank, Philadelphia; A. Wall, First National Bank, Milwaukee; James K. Calhoun, Corn Exchange National Bank, Chicago (Chairman).

It is planned to organize the banker members of the National Association on a more permanent basis at this time so that these dinners may become a fixture of all future conventions of the association. The object of this is to bring into closer association, by extending acquaintance, the bank and commercial credit men.

COMPTROLLER'S REPORT.

Every bank should have a copy of the annual report of the Comptroller of the Currency, which will soon be obtainable in bound volume from Washington. From requests for information frequently received by the A. B. A. Library, it is evident that bankers do not make sufficient use of this official source of statistics regarding the country's banking resources, and there seems no reason why bankers should spend time writing elsewhere for information which they can so easily have always at hand simply by securing a copy of the report when it is issued.

STATE SECRETARIES SECTION

OFFICERS, 1914-1915.

PRESIDENT:

W. W. BOWMAN, Secretary Kansas Bankers' Association, Topeka.

FIRST VICE-PRESIDENT:

HAYNES McFADDEN, Secretary Georgia Bankers' Association, Atlanta.

SECOND VICE-PRESIDENT:

GEORGE D. BARTLETT, Secretary Wisconsin Bankers' Association, Milwaukee.

SECRETARY-TREASURER:

GEORGE H. RICHARDS, Secretary Minnesota Bankers' Association, Minneapolis.

SHOULD COUNTRY CHECKS BE CLEARED AT PAR?

Important Investigations by the Mississippi Bankers' Association—Suggestion of a Symposium to Thrash Out the Subject.

It is safe to say that no other single feature of the Federal Reserve Act has provoked as much discussion as the proposition to clear checks at par. It is a subject in which every bank is interested, whether National or State, member or non-member. Debate upon exchange charges hinges upon the following questions:

1. Is a bank justified in charging exchange for remitting for checks drawn upon itself?
2. Assuming that the charge is justifiable, what should govern the rate: cost of shipping currency, trade balance conditions, or an arbitrary amount agreed upon?
3. Assuming that an exchange charge is justifiable and the rate can be determined upon, who should pay, the customer drawing the check, for whom and at whose order the money is transferred, or the payee?
4. Would it not be to the advantage of bank customers in general to have their checks remitted for at par, and would it not result ultimately in greater profits for the banks if they should remit uniformly at par and derive all their profits in this direction from exchange charged depositors for the collection of out-of-town checks?

Much good could be accomplished if the secretaries and members of State Banking Associations should contribute their ideas and opinions upon this important subject in the form of a symposium to be printed in this department of the JOURNAL-BULLETIN. With all the arguments, pro and con, thus assembled, much light could be thrown on the subject. The JOURNAL-BULLETIN would be glad to publish all articles, and in order that the discussion may be untrammeled, if the writers prefer, the names of the contributors will be omitted. The following letter, written by T. H. Dickson, Secretary of the Mississippi Bankers' Association, to the "Southern Banker," is a suitable beginning of the symposium suggested:

"I read with much interest your editorial in December issue regarding proposed clearance of country checks. We have made a pretty thorough investigation of exact conditions through individual reports from a large number of banks. A summary of these reports reveals a situation in which the abolition or

serious curtailment of exchange earnings would prove disastrous to Mississippi banks. Whatever hurts Mississippi banks would probably hurt also the banks of every other cotton-producing State—if not, indeed, the banks of every agricultural State. Certainly, with the cotton belt suffering so heavily from the effects of the war abroad, this is a bad time to inaugurate a system that would further depress banking profits. It would go hard with the banks themselves and certainly would tend to prevent extension of the reserve system.

"Gross revenue of Mississippi banks from exchange on customers' checks, we estimate, amounts to 1/6 of their net earnings. As applied to the National banks alone, this proposition is somewhat slighter—1/7, in fact. For the past fiscal year the banks earned no more than a just and proper return upon their capital and surplus. For the coming year—and no doubt for several successive years—these earnings will be considerably reduced by reason of low-priced cotton. The reduction will be twofold: Shrinkage in volume of outgoing cotton bills, and necessary restriction of credits based on cotton. There is no chance to offset this loss. It would seem a pity to have it augmented by the enforced parring of customers' checks.

"Under the conditions now faced by the South, this is certainly no time to juggle with established customs, upon which the organization of banks and their expectations of success were based in the beginning—and still rest.

"Among bankers, almost the sole advocates of free check clearings are found in the reserve cities. They claim that such a method of handling checks is more scientific. Incidentally, they add that it would prove far less expensive, and largely swell their present profits from country bank accounts, through abolishing a charge which they (the reserve city bankers) have voluntarily absorbed from their depositors.

"The second claim is unquestionably true. As to the first, the same claim of scientific benefit has been advanced as an excuse for vivisection of lower animals. Perhaps that is also true. But it's hard on the rat and the guinea pig, who are entitled to raise their voices in protest—if not even to live and prosper.

"The Mississippi Bankers' Association is now having a brief prepared by Judge Edward Mayes, head of the firm of Mayes & Mayes, who are our general counsel.

"I feel quite sure that, particularly throughout the cotton States, banks would be inclined to consider this question more seriously if they will but investigate conditions as we have done in this State."

CONVENTION CALENDAR

Mar.	26-27.	Florida	Palatka
Apr.	15-16.	Louisiana	New Orleans
"	19-20.	Assn. Reserve City Bkrs.	Louisville, Ky.
"	22-23.	Arkansas	Little Rock
"	27-28.	Tennessee	Nashville
May	3-5.	Ex. Coun. A. B. A., Old Pt. Comfort, Va.	
"	4-5.	Mississippi	Jackson
"	10-12.	Alabama	Birmingham
"	11-12.	Kansas	Independence
"	13-14.	Oklahoma	Tulsa
"	17-18.	Texas	Waco
"	24-26.	Missouri	Kansas City
"	27-29.	California	San Francisco
"	27-29.	Georgia	Savannah
June	12.	Maine	Augusta
"	15-16.	South Carolina	Isle of Palms
"	16-17.	Idaho	Lewiston
"	16-17.	North Dakota	Bismarck
"	17-18.	Pennsylvania	Cape May, N. J.
"	17-19.	Virginia	Old Point Comfort
"	18-20.	Joint Meeting N. E. Bankers' Assns., The Griswold	New London, Conn.
"	19-21.	Wisconsin	Cruise-on-Lakes
"	22-23.	Iowa	Davenport
"	22-24.	Maryland	Cape May, N. J.
"	23-24.	Ohio	Cedar Point
"	25-26.	South Dakota	Deadwood
"	29-30.	Minnesota	St. Paul
"	—	Michigan	Grand Rapids
"	—	Utah	Salt Lake City
July	15-16.	West Virginia..White Sulphur Springs	
Aug.	18-20.	Am. Inst. of Banking....San Francisco	
Sept.	3-4.	Montana	Glacier National Park
"	6-10.	Am. Bankers Assn.....Seattle, Wash.	
"	6-7.	Washington	Seattle
Oct.	—	New Mexico	Roswell
Date not decided.		Illinois	Joliet
Date not decided.		New Jersey	Atlantic City
Date not decided.		North Carolina.Wrightsville Beach	
Date not decided.		National Association of Bank Supervisors	Olympia, Wash.
Date not decided.		Investment Bankers' Association, Denver, Colo.	
Date not decided.		Farm Mortgage Bankers' Association	St. Louis, Mo.

DELAWARE CONVENTION.

The first convention of the Delaware Bankers' Association was held February 10th and was well attended. J. B. Smith, Cashier of the First National Bank of Milford, was elected President; Otho Nowland, Vice-President of the Equitable Trust Company of Wilmington, Vice-President, and C. M. Sheward, Secretary and Treasurer. John Richardson, Jr., was elected a member of the Executive Committee for the three-year term.

The convention adopted resolutions appointing a State Committee on Legislation. Resolutions were

also adopted discouraging the payment of four per cent. interest by banking institutions throughout our State, except savings funds. This action is in the interest of what is believed to be sound and stable banking methods.

John S. Rossell, Vice-President and Secretary of the Security Trust & Safe Deposit Company of Wilmington, was elected Vice-President of the American Bankers Association for Delaware. A. B. Connor, of the First National Bank of Dover, was elected to serve on the American Bankers Association Nominating Committee, and Wilmer Palmer, President of the Wilmington Savings Fund Society, an alternate. Dr. William P. Orr, President of the Sussex Trust Company of Lewes, was elected Vice-President of the Trust Company Section of the Association.

ARRANGEMENTS FOR THE MONTANA CONVENTION.

On Wednesday evening, January 27th, the Executive Committee of the Association held a meeting at the Placer Hotel, Helena. Some time was spent in the discussion of the proposed new banking law and in appearing before the House Committee on Banking. The invitation of the Great Northern Railway Company to hold the next convention of the Montana Bankers' Association in Glacier Park Hotel was accepted and the dates fixed for Friday and Saturday, September 3d and 4th. Montana bankers will thus have Sunday, September 5th, and Monday, September 6th, Labor Day and a legal holiday, in which to continue the visit in the Park and return home. They will also have the privilege of prolonging the trip to attend the American Bankers Association, which meets in Seattle, September 6th. Two special trains of Eastern bankers have been routed through Glacier Park on their Seattle trip, and they, of course, will arrange so as to attend the Montana convention. This will make it easy to prepare a notable program.

NORTH DAKOTA BANKS AND THE CORPORATION INCOME TAX.

The North Dakota Bankers' Association, with characteristic energy, is accomplishing results in connection with the corporation tax situation, as will be seen by the following bulletin issued by Secretary W. C. Macfadden: "On the blanks recently sent out to the banks of the State, on which returns for the Corporation Income Tax are to be made, will be found a note at the bottom of last page, which reads: 'Banks paying taxes assessed against their stockholders because of their ownership of the shares of stock issued by such bank cannot deduct the amount so paid in making their returns unless specially authorized to do so by the laws of the State in which they do business.' There is some question as to whether the banks in our State are authorized to pay the tax on capital, which under our law is assessed against the stockholder. Members of the Association are, however, instructed to make such deduction in making up the income tax returns. A bill has been prepared, and will be introduced at Bismarck within a few days, removing any doubt as to the authority of the bank to pay the tax, and it is not anticipated that any difficulty will be encountered in the passage of such a bill with an emergency clause attached.

LIBRARY AND REFERENCE DEPARTMENT

MARIAN R. GLENN, Librarian

High School Talks on Banking

Several bankers have asked for a book which would save them time in preparing talks to high school students in connection with thrift campaigns, by giving a general outline which could be followed in formulating their ideas about banking and in adapting the general articles which they have borrowed from the Library. No book of that nature exists, but other bankers who have prepared such outlines may be willing to loan them through the Library. Meanwhile, the possibilities of the Library's loan collection suggests the general trend which such a talk might take.

The talk might begin with the statement that banking is the business of exchanging credits, and that, of course, every Latin student in the high school knows that the word "credit" comes from the Latin word "credo," which means "to have confidence," or "to trust."

From that point it is an easy transition to a simple explanation of how depositing money in a bank, borrowing money, writing checks, drawing drafts, and issuing securities are simply different ways of exchanging promises to pay. Explain the relation established by such transactions between the banker and the depositor, the banker and the borrower, between banks in and out of the Federal Reserve System, and between banks and the Government. Analogies between the school system and the Federal Reserve System; references to clearing houses as the "roll calls of credit," to regional banks as the colleges to which credits go when they have graduated from smaller institutions; and the fact that the banker must have his "note-books" regularly examined so the Government can be sure that he and his community are keeping up with their credit lessons—will all serve to relate the banker to his audience in a bond of common experience and understanding.

If the identity between bank note credits and book credits is explained in simple terms it will help to dispel the seeming mystery of currency issue, and, of course, as much description and explanation of coinage, currency, legal tender, bond issues, reserves, and foreign exchange may be introduced as seems essential. Allusions to discount rates can be so couched in terms of algebra and geometry as to interest the mathematical students, while the history students will respond to allusions to wampum money, to Robert Morris and Alexander Hamilton, to greenbacks and the Civil War, gold shipments and the European war, and related anecdotes which can be adapted to any talk on American banking. The Library has one or two pictures of mint processes and of the money-washing machine used in the Treasury which can be borrowed for talks on money, while the new designs on the Federal reserve notes suggest the possibility of explaining the relation of

banking to farming and to industry, and the part that bank note promises to pay take in such activities.

From that it is an easy matter to suggest the relation between local industries and the commercial paper which helps to finance their transportation to other places and their transformation into other products. But this the banker must put in his own language from his own knowledge of those processes—for no book nor article exists, so far as the librarian knows, that brings out these relations in detail.

In conclusion, emphasis could be laid upon the fact that all the different forms of credit—personal, bank, business, corporation, city, State, national and international—are promises to pay based on character, and that they are redeemed only when the people who make them produce something. Impress upon the boys that business is really a big honor system, that the traits they exhibit as students are the ones which later they will take into business, and by which they will be judged worthy or unworthy of credit. The relation of thrift and honesty to success can probably be abundantly illustrated by incidents with which the banker is daily familiar, and if tables of how savings accumulate are wanted for further illustration, the A. B. A. Library has a few that can be loaned and from which typewritten sheets might be prepared to be distributed to the students after the talk.

THE BANKS IN THE EUROPEAN WAR.

An up-to-date recital of the manner in which the banking situation caused by the European war was handled both in the United States and Europe is embodied in the new edition of the well-known work of Mr. Charles A. Conant, "A History of Modern Banks of Issue," which has just been brought out by Messrs. G. P. Putnam's Sons. Mr. Conant was already engaged on the revision of the work for the fifth edition when the war broke out, but delayed its completion until definite data became available in regard to the policy of the great European banks in dealing with war finance, and the organization of the new banks established by the Federal Reserve Act. These important operations form the subject matter of the two new chapters of the work dealing with "The Federal Reserve Act" and "The Banks in the European War." The data on the latter subject is brought down as late as December, when exchange had turned in favor of New York and the New York banks had already retired the bulk of their Clearing House certificates and emergency bank notes. The revised edition, however, goes much beyond the addition of new chapters. The changes in recent years in the charters of the banks of France, Germany, and Austria-Hungary are fully described and the statistics of these countries are brought down to date. Changes in the banking law of Canada, Nicaragua, and the revision of the currency system of British India are also set forth.

TRUST DEPARTMENTS IN BANKS.

The Federal Reserve Board has announced that any National bank desiring to add trust functions to its privileges under the new system must make application to the Board through the Chairman of the Board of Directors of the regional bank of its district. Such a bank must establish a separate trust department, and in making application for permission to do so must send a statement of the functions which it wishes to exercise under these heads: Trustee of personal trusts, trustee of corporate trusts, administrator of personal estates, executor of wills, registrar of stock, registrar of bonds.

If your bank thinks of establishing such a department and you are unfamiliar with the nature of trust business, send to the Library for such articles as have been written on these subjects. Part of the equipment of every trust department should be the only two books written on trust company work—Kirkbride and Sterrett's "The Modern Trust Company: Its Functions and Organization," published by Macmillan at \$2.50, and Clay Herrick's "Trust Companies: Their Organization, Growth and Management," issued by the Bankers' Publishing Company at \$4.00.

FOREIGN TRADE HELPS.

The December, 1914, issue of "Special Libraries" contains a "List of Government Publications Giving Current Statistics on Foreign Commerce," "A List of References on the Trade of the United States as Affected by the War," and "A List of Commercial Year-Books," compiled by the Library of Congress, with a "Brief List of Commercial References on Latin-American Trade." Single copies may be had for twenty-five cents from the Managing Editor, Mr. John A. Lapp, Bureau of Legislative Information, Indianapolis, Ind.

A WELCOME ADDITION.

A set of forty-eight bound volumes of the American Banker has been deposited for reference in the A. B. A. Library through the courtesy of the publisher, Mr. C. D. Steurer, at the suggestion of the editor, Mr. W. S. Cousins. As this is one of the few financial publications that are indexed, it will be an especially useful addition to the Library's resources. Index cards for general articles covering the years 1890 to 1915 will be added to the Library's card catalogue.



NECESSITY OF PUBLICITY

Samuel McRoberts, Vice-President of the National City Bank of New York, delivered a comprehensive address at the recent meeting of the Chamber of Commerce of the United States, in which he spoke of the "Necessity of Publicity" as follows:

"For the purposes of foreign trade we will require some Government co-operation and some education of the public regarding conditions at home as well as abroad. We have adopted the principle of the widest possible competition for our domestic commerce, and the Sherman Anti-Trust Law has been construed so as to extend this principle to foreign commerce also. At home this rule puts no particular hardship upon the seller, because the same rule applies to his customers, but abroad he meets a different condition. There is no Sherman Anti-Trust Law anywhere else on earth, or anything resembling it. His foreign customers are free to combine for the purpose of controlling the price in favor of the buyer. This condition will work too great a hardship and will necessarily have to be adjusted so that the principle will be preserved as to our domestic commerce, and our export trade put upon an equal footing with the rest of the world. This same question of the Anti-Trust Laws has another very important bearing. We are all agreed that if the nation is to be solidly enlisted in this enterprise of foreign trade, and government co-operation and government protection freely given, it must be given equally for all. The opportunities must be free to everyone, and the more democratic the resultant enterprises are, the better for foreign trade and the domestic trade at home. If the Anti-Trust Laws are applied to our merchants and manufacturers in respect to their trading beyond United States territory, the business is immediately confined to the largest

exporters only. They only will have the financial strength and volume of business necessary to engage single-handed in the trade of other countries. The little fellows will all have to stay at home, and we will have defeated the effort to build up foreign trade because we will have destroyed its national character. No hardship would be put upon the people, great economies would result and the opportunities would be extended to a vastly greater number if the small manufacturers and merchants could be permitted to combine by means of joint selling agencies, joint foreign branches, or joint ownership of trading institutions established abroad. If it meets a practical need, the smaller National banks should be permitted to maintain joint foreign branches, and to the same end own stock in strictly foreign financial institutions.

"For a score of years, in respect to business, this country has stood as a house divided against itself. Conflicting opinions have persevered until we have become involved in a tangled web of theory and fallacy. We have sought to enforce economic theories by criminal statutes. The politician has branded the business man as a malefactor; the business man has called the politician a demagogue. Sometimes they were both right, but almost always both wrong. We stand like the hypochondriac, brooding over internal disorders that baffle description or diagnosis. The nation is suffering from too much introspection. It needs to have its attention diverted from itself and its old-time spirit of enterprise aroused by an idea that we can all agree upon a purpose we can all get behind. War would do it, but we do not want war. What would be more timely and effective than commercial conquest, conducted in accordance with the principles of peace?"

LEGAL DEPARTMENT

THOMAS B. PATON · GENERAL COUNSEL

Regulations and Circulars Issued By the Federal Reserve Board

INCREASE AND DECREASE OF CAPITAL STOCK OF FEDERAL RESERVE BANKS.

(Circular No. 9, Series of 1915, January 28, 1915.)

Section 5 of the Federal Reserve Act provides that—

The capital stock of each Federal Reserve Bank shall be divided into shares of \$100 each. The outstanding capital stock shall be increased from time to time as member banks increase their capital stock and surplus or as additional banks become members, and may be decreased as member banks reduce their capital stock or surplus or cease to be members. * * * When the capital stock of any Federal Reserve Bank shall have been increased either on account of the increase of capital stock of member banks or on account of the increase in the number of member banks, the board of directors shall cause to be executed a certificate to the Comptroller of the Currency showing the increase in capital stock, the amount paid in, and by whom paid. When a member bank reduces its capital stock it shall surrender a proportionate amount of its holdings in the capital of said Federal Reserve Bank, and when a member bank voluntarily liquidates it shall surrender all of its holdings of the capital stock of said Federal Reserve Bank and be released from its stock subscription not previously called. In either case the shares surrendered shall be cancelled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Federal Reserve Board, a sum equal to its cash-paid subscription on the shares surrendered and one-half of one per centum a month from the period of the last dividend, not to exceed the book value thereof, less any liability of such member bank to the Federal Reserve Bank.

Section 6 provides:

If any member bank shall be declared insolvent and a receiver appointed therefor, the stock held by it in said Federal Reserve Bank shall be canceled, without impairment of its liability, and all cash-paid subscriptions on said stock, with one-half of one per centum per month from the period of last dividend, not to exceed the book value thereof, shall be first applied to all debts of the insolvent member bank to the Federal Reserve Bank, and the balance, if any, shall be paid to the receiver of the insolvent bank. Whenever the capital stock of a Federal Reserve Bank is reduced, either on account of a reduction in capital stock of any member bank or of the liquidation or insolvency of such bank, the board of directors shall cause to be executed a certificate to the Comptroller of the Currency showing such reduction of capital stock and the amount repaid to such bank.

Pursuant to these provisions of the statute the accompanying regulations have been adopted by the Federal Reserve Board.

CHARLES S. HAMLIN,
Governor.

H. PARKER WILLIS,
Secretary.

(Regulation G. Series of 1915, January 28, 1915.)

Increase of Capital Stock of Federal Reserve Banks.

Whenever the capital stock of any Federal Reserve Bank shall be increased by new banks becoming members, or by the increase of capital or surplus of any member bank and the allotment of additional capital stock to such bank, the board of directors of such Federal Reserve Bank shall certify such increase to the Comptroller of the Currency on Form 58, attached to and made a part of this regulation.

Decrease of Capital Stock of Federal Reserve Banks.

I. Whenever a member bank reduces its capital stock or surplus, and, in the case of reduction of its capital, such reduction has been approved by the Federal Reserve Board in accordance with the provisions of section 2 of the Federal Reserve Act, it shall file with the Federal Reserve Bank of which it is a member an application on Form 60, attached to and made a part of this regulation. When this application has been approved, the Federal Reserve Bank shall take up and cancel the receipt issued to such bank for cash payments made on its subscription and shall issue in lieu thereof a new receipt after refunding to the member bank the proportionate amount due such bank on account of the subscription canceled. The receipt so issued shall show the date of original issue, so that dividends may be calculated thereon.

II. Whenever a member bank shall be declared insolvent and a receiver appointed by the proper authorities, the Federal Reserve Bank, upon being satisfied by copy of the commission issued by the Comptroller of the Currency or order of court appointing such receiver, of his right to act as such, shall adjust accounts between such receiver and such Federal Reserve Bank by applying to the indebtedness due by the failed bank any cash payments made by it on its stock subscription or accrued dividends thereon, and by paying to such receiver any balance that may be due after making such deductions, taking up and canceling the receipts for such cash payments.

III. In case of voluntary liquidation of a member bank, the Federal Reserve Bank shall require copies of all necessary resolutions of the board of directors and stockholders and such other papers as may be necessary to establish the right of the liquidating agent to receive and receipt for balances due the liquidating bank, and shall adjust with such liquidating bank the accounts between it and the Federal Reserve Bank by applying the cash-paid subscriptions and accrued dividends to any indebtedness due to said Federal Reserve Bank, and shall take up and cancel any receipts issued for such payments, paying to the liquidating agent all balance due such bank.

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IV. Whenever the stock of a Federal Reserve Bank shall be reduced in the manner provided in Paragraphs I, II or III, of this regulation the board of directors of such Federal Reserve Bank shall, in accordance with the provisions of section 6, file with the Comptroller of the Currency a certificate of such reduction on Form 59, hereto attached and made a part of this regulation.

CHARLES S. HAMLIN,
Governor.

H. PARKER WILLIS,
Secretary.

CERTIFICATE OF INCREASE OF CAPITAL STOCK

Form 58

Federal Reserve Bank of

TO THE COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR:—It is hereby certified that the capital stock of the Federal Reserve Bank of has been increased pursuant to the provisions of Section 5 of the act of Congress approved December 23, 1913, in the sum of dollars, of which sum dollars have been paid to this bank in gold or gold certificates by the member banks named in Exhibit A, attached hereto, in the sums and at the times stated therein.

FEDERAL RESERVE BANK OF.....

[SEAL OF BANK] By (Governor or Cashier.)

STATE OF..... } ss.

COUNTY OF..... } ss.

Subscribed and sworn to before me this day of
A. D. 1915.

[SEAL] (Notary Public.)

SUMMARIZED STATEMENT

Total capital stock last reported.....	\$.....
Stock allotted as reported in Exhibit A.....	.....
Less decrease since last report ¹.....	.....
Total capital stock.....	.....
Paid up capital stock as last reported.....	.....
Subscriptions paid in as reported in Exhibit A.....	.....
Paid in on other calls since last report.....	.....
Less cash subscriptions refunded for surrendered stock ¹.....	.....
Total paid up capital stock.....	.....

¹ Please itemize, in Exhibit B, attached hereto, decreases of capital stock, stating name of bank, amount of stock surrendered, amount of cash subscriptions refunded therefor, and amount of accrued dividends paid.

EXHIBIT A.

(To be attached to Form 58.)

INCREASE OF CAPITAL STOCK.

Name of bank.	Location.	Stock allotted.	Cash subscriptions paid.	Date of payment.
.....
.....
.....

EXHIBIT B.

(To be attached to Form 58.)

DECREASE OF CAPITAL STOCK.

Date.	Name of bank.	Location.	Stock surrendered.	Cash subscriptions refunded.	Accrued dividends paid.
.....
.....
.....

CERTIFICATE OF DECREASE OF CAPITAL STOCK

Form 59

Federal Reserve Bank of
TO THE COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR:—It is hereby certified that the capital stock of the Federal Reserve Bank of has been decreased pursuant to the provisions of Section 5 or 6 of the act of Congress approved December 23, 1913, in the sum of dollars, of which sum dollars have been repaid by this bank to the member banks named in Exhibit A, attached hereto, in the sums and at the times stated therein.

FEDERAL RESERVE BANK OF.....

[SEAL OF BANK] By (Governor or Cashier.)

STATE OF..... } ss.

COUNTY OF..... } ss.

Subscribed and sworn to before me this day of
[SEAL] (Notary Public.)

SUMMARIZED STATEMENT

Total capital stock last reported.....	\$.....
Stock surrendered as reported in Exhibit A.....	.....
Plus increase since last report ¹.....	.....
Total capital stock.....	.....
Paid-up capital stock as last reported.....	.....
Amount paid in on all calls since last report.....	.....
Less cash subscriptions refunded as reported in Exhibit A.....	.....
Total paid-up capital stock.....	.....

¹ Please itemize, in Exhibit B, attached hereto, increases of capital stock, stating name of bank, amount of stock allotted, cash subscriptions paid, and date of payment.

EXHIBIT A.

(To be attached to Form 59.)

DECREASE OF CAPITAL STOCK.

Date.	Name of bank.	Location.	Stock surrendered.	Cash subscriptions refunded.	Accrued dividends paid.
.....
.....
.....

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EXHIBIT B.

(To be attached to Form 59.)

INCREASE OF CAPITAL STOCK.

Name of bank.	Location.	Stock allotted.	Cash subscriptions paid.	Date of payment.
.....
.....
.....

APPLICATION FOR SURRENDER OF STOCK

Form 60

IN THE

Federal Reserve Bank of

At a meeting of the Board of Directors of (Name of bank)

of (Location), duly called and held on the

day of 191..., the following resolution was offered and duly adopted:

"WHEREAS, this bank has legally reduced its (Capital or surplus.)

in the sum of \$....., and under the provisions of Section 5 of the Federal Reserve Act is required to surrender for cancellation a proportionate amount of the capital stock allotted to it by the Federal Reserve Bank of equal to 6 per cent. of the amount of said reduction:

NOW, THEREFORE BE IT RESOLVED, That the President or Cashier of this Association be and he hereby is authorized and directed to apply to the said Federal Reserve Bank for the cancellation of shares of the stock heretofore allotted to this bank, and for the refund of all cash payments made, together with such accrued dividends as may be due thereon."

I hereby certify that the foregoing is a true and correct copy of a resolution adopted and spread upon the minutes of the meeting of the Board of Directors of this bank held on the date specified, and pursuant thereto I hereby make application on behalf of this bank for the cancellation of shares of stock heretofore allotted to it, and the refund of such cash payments and accrued dividends as this bank may be entitled to under the provisions of Section 5 of the Federal Reserve Act.

..... (President or Cashier.)

The Federal Reserve Bank can not cancel fractional shares. If therefore, 6 per cent. of the amount of reduction is not divisible by 100, any excess or fractional part of 100 will not entitle the applying bank to surrender a share of stock, and application should be made only for surrender of full shares of one hundred dollars each.

CERTIFICATE OF FEDERAL RESERVE AGENT

I have examined the foregoing application for surrender of stock, in the Federal Reserve Bank of have verified the calculation upon which this application is based, and recommend that shares of stock be accepted for cancellation and that the cash subscriptions already paid for this surrendered stock be returned plus one-half of 1 per cent. per month since the date of last dividend, not to exceed the book value thereof

..... (Federal Reserve Agent.)

BANKERS' ACCEPTANCES.

(Circular No. 9, Series of 1915, February 8, 1915.)

"Acceptances" are dealt with in the Federal Reserve Act in two different sections—sections 13 and 14. Section 13 deals with the "acceptance" as one of the forms of paper in the discount of which Federal Reserve Banks may engage, restricting the discount of acceptances to such as bear the indorsement of a member bank. Section 14 invests the Federal Reserve Banks, under regulations to be prepared by the Federal Reserve Board, with power to engage in

open-market operations, of which the "banker's acceptance" is one of the most important.

Careful study has led the Federal Reserve Board to the conclusion that, at any rate in the first stages, so far as practicable, priority should be given to operations under section 13. The acceptance is still in its infancy in the field of American banking. How rapid its development will be can not be foretold; but the development itself is certain. Opportunity is given by the Federal Reserve Act to assist the movement in this new direction; the present regulations are to be regarded as a first step and will be extended as circumstances and a reasonable regard for the other uses and needs of the credit facilities of the Federal Reserve System may warrant.

It is believed that it would unduly restrict the development of the acceptance business to keep it altogether confined within the provisions of section 13, which require that acceptances, in order to be eligible for rediscount at a Federal Reserve Bank, must bear the indorsement of a member bank; particularly in view of the further fact that the law limits the amount of acceptances which may be taken with the indorsement of a member bank to 50 per centum of its paid-in capital and surplus. Having found it necessary to extend the scope of dealings in acceptances beyond these limits, the Board has exercised the authority conferred upon it by section 14, and has formulated regulations covering the purchase of acceptances without invariably requiring the indorsement of a member bank.

The acceptance is the standard form of paper in the world discount market, and both on this account and because of its acknowledged liquidity universally commands a preferential rate. By reason of its being readily marketable it is widely regarded as a most desirable paper in the secondary reserves of banks and will help to provide an effective substitute for the "call loan." Its growth, however, will depend upon the ability of the American market to adjust its rates effectively to those prevailing in other markets for paper of this class.

Recognizing these facts, the Federal Reserve Board has determined to allow the Federal Reserve Banks latitude in fixing rates for acceptances: Federal Reserve Banks may, from time to time, submit for the approval of the Board maximum and minimum rates within which they desire to be authorized to deal in acceptances; within such limits, and subject to such modifications as may be imposed by the Board, Federal Reserve Banks will be allowed to establish the rates at which they will deal in acceptances.

The Board believes it to be in accordance with the spirit of the Act to accord preferential treatment to acceptances bearing the indorsement of member banks, offered for rediscount under section 13—even to the point of allowing lower rates for such acceptances, inasmuch as, under the terms of this section, such acceptances are available as collateral against the issue of Federal reserve notes; and the Board will sanction a slight preferential in favor of acceptances bearing the indorsement of member banks.

When acceptances bearing the indorsement of member banks are not obtainable in adequate amount

or upon satisfactory terms, Federal Reserve Banks desiring to purchase acceptances should restrict themselves, as far as possible, to such acceptances as bear some other responsible signature (other than that of the drawer and the acceptor), and preferably that of a bank or banker.

CHARLES S. HAMLIN,
Governor.

H. PARKER WILLIS,
Secretary.

Bankers' Acceptances.

(Regulation D, Series of 1915, February 8, 1915.)

I. Definition.

In this regulation the term "acceptance" is defined as a draft or bill of exchange drawn to order, having a definite maturity and payable in dollars, in the United States, the obligation to pay which has been accepted by an acknowledgment written or stamped and signed across the face of the instrument by the party on whom it is drawn; such agreement to be to the effect that the acceptor will pay at maturity according to the tenor of such draft or bill without qualifying conditions.

II.

Statutory Requirements Under Sections 13 and 14.
Section 13 of the Federal Reserve Act provides that—

(a) Any Federal Reserve Bank may discount acceptances—

- (1) Which are based on the importation or exportation of goods;
- (2) Which have a maturity at time of discount of not more than three months; and
- (3) Which are indorsed by at least one member bank.

(b) The amount of acceptances so discounted shall at no time exceed one-half the paid-up capital stock and surplus of the bank for which the rediscounts are made.

(c) The aggregate of notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation rediscounted for any one bank shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

Section 14 of the Federal Reserve Act permits Federal Reserve Banks, under regulations to be prescribed by the Federal Reserve Board, to purchase and sell in the open market bankers' acceptances, with or without the indorsement of a member bank.

III.

"Eligibility."

The Federal Reserve Board has determined that, until further order, to be eligible for discount under section 13, by Federal Reserve Banks, at the rates to be established for bankers' acceptances:

(a) Acceptances must comply with the provisions of Paragraph II (a), (b), (c) hereof;

(b) Acceptances must have been made by a member bank, non-member bank, trust company, or by some private banking firm, person, company, or corporation engaged in the business of

accepting or discounting. Such acceptances will hereafter be referred to as "bankers'" acceptances.¹

(c) A banker's acceptance must be drawn by a commercial, industrial, or agricultural concern (that is, some person, firm, company, or corporation,) directly connected with the importation or exportation of the goods involved in the transaction in which the acceptance originated;

(d) A banker's acceptance must bear on its face, or be accompanied by evidence in form satisfactory to a Federal Reserve Bank, that it originated in an actual bona fide sale or consignment involving the importation or exportation of goods. Such evidence may consist of a certificate on or accompanying the acceptance to the following effect:

This acceptance is based upon a transaction involving the importation or exportation of goods. Reference No. ——. Name of acceptor: ——;

(e) Bankers' acceptances, other than those of member banks, shall be eligible only after the acceptors shall have agreed in writing to furnish to the Federal Reserve Banks of their respective districts, upon request, information concerning the nature of the transactions against which acceptances (certified or bearing evidence under III (d) hereof) have been made;

(f) A bill of exchange accepted by a "banker" may be considered as drawn in good faith against "actually existing values," under II (c) hereof, when it is secured by a lien on or by transfer of title to the goods to be transported;

(g) Except in so far as they may be secured by a lien on or by transfer of the title to the goods to be transported, the bills of any person, firm, company, or corporation, drawn on and accepted by any private banking firm, person, company, or corporation (other than a bank or trust company) engaged in the business of discounting or accepting, and discounted by a Federal Reserve Bank, shall at no time exceed in the aggregate a sum equal to five per centum of the paid-in capital of such Federal Reserve Bank;

(h) The aggregate of acceptances of any private banking firm, person, company, or corporation (other than a bank or trust company) engaged in the business of discounting or accepting, discounted or purchased by a Federal Reserve Bank, shall at no time exceed a sum equal to twenty-five per centum of the paid-in capital of such Federal Reserve Bank.

To be eligible for purchase by Federal Reserve Banks under section 14, bankers' acceptances must comply with all requirements and be subject to all limitations hereinbefore stated, except that they need not be indorsed by a member bank: **Provided, however,** That no Federal Reserve Bank shall purchase the acceptance of a "banker" other than a member bank which does not bear the indorsement of a member bank, unless it has first secured a satisfactory statement of the financial condition of the acceptor in form to be approved by the Federal Reserve Board.

IV.

Policy as to Purchases.

While it would appear impracticable to fix a maximum sum or percentage up to which Federal Reserve Banks may invest in bankers' acceptances, both under section 13 and section 14, it will be necessary to watch carefully the aggregate amount to be held from time to time. In framing their policy with

¹ Drafts and bills of exchange eligible for rediscount under section 13, other than "bankers'" acceptances, have been dealt with by Regulation B, series of 1915.

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respect to transactions in acceptances, Federal Reserve Banks will have to consider, not only the local demands to be expected from their own members, but also requirements to be met in other districts. The plan to be followed must in each case adapt itself to the constantly varying needs of the country.

CHARLES S. HAMLIN,
Governor.

H. PARKER WILLIS,
Secretary.

NATIONAL BANKS AS EXECUTORS AND TRUSTEES.

(Circular No. 10, Series of 1915, February 15, 1915.)

The Federal Reserve Board is empowered by paragraph k of section 11 of the Federal Reserve Act to grant by special permit to National Banks the right to act as trustee, executor, administrator, or registrar of stocks and bonds where the exercise of such powers is not in contravention of State laws. In the exercise of such power, the Board issues here-with Regulation H covering such special permits.

The Board will from time to time modify and supplement its regulations on this subject as experience may dictate.

CHARLES S. HAMLIN,
Governor.

H. PARKER WILLIS,
Secretary.

National Banks as Executors and Trustees.

(Regulation H, Series of 1915, February 15, 1915.)

I.

Statutory Provisions.

The Federal Reserve Act provides:

"Sec. 11. The Federal Reserve Board shall be authorized and empowered:

"(k) To grant by special permit to National Banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds, under such rules and regulations as the said Board may prescribe."

II.

Applications.

1. A National Bank desiring to exercise any or all of the privileges authorized by section 11, subsection (k), of the Federal Reserve Act, shall make application to the Federal Reserve Board on a form approved by said Board (Form No. 61). Such application shall be forwarded by the applying bank to the Chairman of the Board of Directors of the Federal Reserve Bank of its district, and shall thereupon be transmitted to the Federal Reserve Board with his recommendations.

2. There shall be attached to each application a statement of the character and extent of the privileges which the applying bank desires to exercise under the following headings:

- (a) Trustee of personal trusts.
- (b) Trustee of corporate trusts.
- (c) Administrator of personal estates.
- (d) Executor of wills.
- (e) Registrar of stocks.
- (f) Registrar of bonds.

3. Each applicant shall, upon request, furnish copies of the laws of the State in which it is located bearing upon the exercise of such powers in force at the time application is made.

III.

Separate Departments.

Every National Bank permitted to act under this section shall establish a separate trust department, and shall place such department under the management of an officer or officers, whose duties shall be prescribed by the board of directors of the bank.

IV.

Provision for Keeping Trust Funds.

The funds, securities, and investments held in each trust shall be held separate and distinct from the general funds and securities of the bank, and separate and distinct one from another. The ledgers and other books kept for the trust department shall be entirely separate and apart from the other books and records of the bank.

V

Examinations

Examiners appointed by the Comptroller of the Currency or designated by the Federal Reserve Board will hereafter be instructed to make thorough and complete audits of the cash, securities, accounts, and investments of the trust department of every bank at the same time that examination is made of the banking department.

VI.

Conformity With State Laws.

Nothing in these regulations shall be construed to give to a National Bank doing business as trustee, executor, administrator, or registrar of stocks and bonds under section 11 (k) of the Federal Reserve Act any rights or privileges in contravention of the laws of the State in which the bank is located.

VII.

Revocation of Permits.

The Federal Reserve Board reserves the right to revoke permits granted under these regulations in any case where in the opinion of the Board a bank has willfully violated the provisions of these regulations or the laws of any State relating to the operations of such bank when acting as trustee, executor, administrator, or registrar of stocks and bonds.

VIII.

Changes in Rules.

These regulations are subject to change by the Federal Reserve Board; provided, however, that no such change shall prejudice obligations undertaken in good faith under regulations in effect at the time the obligation was assumed.

CHARLES S. HAMLIN,
Governor.

H. PARKER WILLIS,
Secretary.

District No.

APPLICATION OF NATIONAL BANK

To ACT AS TRUSTEE, EXECUTOR, ADMINISTRATOR, OR REGISTRAR OF STOCKS AND BONDS UNDER SECTION 11 (k) OF THE FEDERAL RESERVE ACT

Form No. 61. NOTE—This application should be returned to the Federal Reserve Board through the Chairman of the Board of Directors of the Federal Reserve Bank of your district.

At a meeting of the Board of Directors of the (Name of bank.) of , duly called and held on the day (City or town and State.) of 191 the following resolution was offered, seconded, and adopted:

"Whereas it is the sense of this meeting that application should be made on behalf of this Association to the Federal Reserve Board for a permit to act as

(Trustee, executor, administrator, registrar of stocks and bonds.) as provided in Section 11 (k) of the Federal Reserve Act,

"Now, therefore, be it resolved, that the president or vice president and the cashier or secretary of this Association be and they are hereby authorized, empowered and directed to make application to the Federal Reserve Board for a permit giving to this association the right to act as or to exercise as many of these powers as the Federal Reserve Board may allow, under such rules and regulations as the Federal Reserve Board may prescribe."

I hereby certify that the foregoing is a true and correct copy of a resolution passed by the Board of Directors of this Association on the date specified.

..... *Secretary or Cashier.*

..... of (Name of bank.) (City or town.)

Pursuant to the foregoing resolution, the (Name of bank.) of , hereby makes application for a permit to act as or to exercise as many of these powers as the Federal Reserve Board may allow.

In compliance with the regulations prescribed by the Federal Reserve Board, an exhibit, stating in detail the character and extent of the privileges which this bank desires to undertake, is attached to and made a part of this application.

(SEAL OF BANK.) of

By *President or Vice President.*

ATTEST:

..... *Secretary or Cashier.*

TO THE FEDERAL RESERVE BOARD,
Washington, D. C.

CERTIFICATE OF COUNSEL

I, Counsel for the Federal Reserve Bank of , do hereby certify that in my opinion the following rights herein applied for, namely may be legally exercised by this bank under the laws of the State of with the permission of the (State in which bank is located.)

Federal Reserve Board. , *Counsel*

RECOMMENDATION OF BOARD OF DIRECTORS

The Board of Directors of the Federal Reserve Bank of has examined the foregoing application, together with the exhibits made a part thereof, and recommends that the Federal Reserve Board { grant } refuse a permit to this bank to act as

..... *Chairman,
For the Board of Directors.*

(If refusal of permit is recommended, please submit reasons.)

CERTIFICATE OF APPROVAL

The foregoing application has been approved by the Federal Reserve Board in so far as it relates to the exercise of the powers of , and the of is hereby permitted to exercise such powers in so far as they are not in contravention of the laws of the State of such powers to be subject to the regulations of this Board relating to National Banks acting as trustee, executor, administrator, and registrar of stocks and bonds under Section 11 (k) of the Federal Reserve Act.

..... *Secretary, Federal Reserve Board.*

The Comptroller's Circular on Overdrafts

The Comptroller of the Currency on January 28th issued a circular letter to National banks as follows:

To the Board of Directors.

Gentlemen: The granting by some banks of accommodations in the form of overdrafts is objectionable and cannot be countenanced by this office.

This practice should cease entirely. To facilitate the accomplishment of this result, the subject has been taken up by this office with the banking departments of various States, and these authorities have generally agreed to take the necessary action to secure the effective co-operation of State banks in attaining the end desired.

You are requested to adopt a resolution directing that no officer or employee of your bank shall pay or charge to, the account of any depositor any check of such depositor when there are not sufficient funds on deposit to the credit of the drawer of the check to meet the same.

Please forward a certified copy of the resolution to this office as soon as it has been adopted. Let the resolution show the names of the directors present at the meeting.

Please acknowledge receipt without delay.

Respectfully,
(Sg.) Jno. Skelton Williams,
Comptroller.

A number of letters were received by the General Counsel from National bank members asking for advice in connection with this circular; the following extracts are sufficient to show the general tenor of these communications:

"What legal power has the Comptroller to enforce this? It would be a great hardship on inland banks, as it would offend a great amount of trade, especially among high-class women depositors who carry good balances and who periodically overdraw."

"What authority has the Comptroller to compel the passage of such a resolution?"

"I feel that this is not a workable regulation and that the Comptroller of the Currency has no authority in the matter. I also realize that even if there is no authority for it, the department ought to be respected and co-operated with as far as possible. At the same time, take the case of one of our best customers. Suppose he carries a firm account of several thousand dollars and also a personal account; that he is in the habit of transferring from the firm account to his personal and some day he neglects so to do and draws a few checks on the personal account, overrawing it. If we should protest and return this customer's check we would lose his account entirely. Suppose a good customer makes a mistake? There are a number of ways in which a

bank would make lots of enemies, and there are many occasions when the regulation would be unworkable. And if you do not enforce it, what is the use of having it?"

The following is the substance of a reply which was forwarded by General Counsel in response to all communications of the above character:

The Comptroller's circular may be regarded from two points of view: (1) as a compulsory order; (2) as a request for co-operation.

Viewed in the light of an order or instruction to the National banks that the practice of granting overdrafts should cease entirely and calling for the adoption of a resolution to such end, I do not understand that the law vests in the Comptroller of the Currency any power or authority to compel a National bank to adopt such a resolution. The Comptroller is charged with the execution of all laws passed by Congress relating to National banks and in case of violation of any of the provisions of the act the law (R. S. Sec. 5239) provides a forfeiture of the franchise. But such violation must first be determined by a proper court of the United States "in a suit brought for that purpose by the Comptroller of the Currency, in his own name, before the Association shall be declared dissolved."

There is no express provision of the National Bank Act which is violated by the granting of overdrafts. There is an express provision (R. S. 5208) which makes it unlawful to certify a check unless the drawer has on deposit at the time of certification an amount equal to the amount drawn for. But the prohibition of over-certification under a specific penalty is the extent to which the National Bank Act goes in this direction. An overdraft allowed by a bank being in law a loan due on demand and of precisely the same character as the obligation of a note given, payable on demand (Hennessy Bros. v. Memphis National Bank, 129 Fed. 557), it will hardly be questioned that, under the general power of making loans conferred by the National Bank Act, the bank would have the power to grant a loan in the form of an overdraft, and even were it otherwise and the law conferred no power upon a National bank to make a loan by way of overdraft, there is no power vested in the Comptroller of the Currency to compel the board of directors of a National bank to adopt a resolution on such a subject. The conclusion would seem to follow, therefore, that the Comptroller of the Currency is not vested with power or authority under the law to require the adoption of the suggested resolution and the only consequences which would follow an ignoring of the circular or refusal to comply therewith, would seem to be that the Comptroller might, with the co-operation of the Secretary of the Treasury, have it in his power to deprive a non-complying National bank of the privilege of receiving government deposits or acting as financial agent of the Government. The Revised Statutes, Section 5153, provide that all National banking associations, designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money under such regulations as may be prescribed by the Secretary and they may also be employed as financial agents of the Government. It would be in the power of the

Treasury Department to include in such regulations one to the effect that a National bank, to be eligible as a designated depositary of public money or as financial agent, must adopt a resolution prohibiting officers or employees from paying overdrafts in all cases. This would seem to be the extent to which failure to comply with the Comptroller's request might, possibly, work to the detriment of a National bank.

But, secondly, viewing the Comptroller's circular not so much in the light of an instruction or order as a request for co-operation of the National banks in prohibiting overdrafts, it would seem, from this standpoint, worthy of consideration. The practice of granting accommodations in the form of overdrafts has long been regarded by many bankers as objectionable and numerous efforts have been made by individual banks all over the country to abolish this practice. Nearly a century ago, the Supreme Court of the United States in *Minor v. Mechanics Bank*, 1 Peters, 46, stigmatized the usage and practice of allowing overdrafts as a usage and practice to misapply the funds of the bank in favor of privileged persons and many bankers have circularized among their customers extracts from the language of the court in this case for the purpose of discouraging the making of overdrafts. Since the rendition of that decision, of course, the practice of allowing overdrafts in certain cases has become customary and is recognized by the courts as a legitimate transaction founded on banking custom. But while the practice of granting overdrafts is not at the present day unlawful, it is regarded by very many bankers as objectionable and one which should be discomfited as far as possible. Right here, however, a distinction should be made between a practice of allowing certain favored customers to overdraw their accounts and those isolated cases referred to in the letters above, where a responsible customer occasionally through mistake or other exceptional cause, fails to have a sufficient balance to his or her credit when a check is presented. In all such cases it would seem proper and legitimate banking to protect the credit of the customer by paying the check. Indeed, the Comptroller's circular does not, in its opening sentences, refer to isolated cases of mistaken overdrafts, but rather to the practice of granting accommodations in the form of overdrafts. To prevent this, the Comptroller not only requests the co-operation of the National banks but is endeavoring through the State Banking Departments to secure the co-operation of State banks in attaining the end desired. As a request for such co-operation, it would seem that the Comptroller's circular might properly receive attention. At the same time, the remedy he proposes, namely, the adoption of a resolution which would prohibit the payment of overdrafts entirely, would seem to overshoot the mark. In most well-managed institutions, overdrafts are very small and are in most cases due to errors especially of women depositors, in balancing their check books. Sometimes also a remittance by one bank to another is delayed in the mail and it is necessary to pay the overdraft of the remitting bank to protect its credit. In all such cases the practice of paying the overdraft is

necessary to protect the credit of the depositor and does not result in any loss to the bank. To this extent the paying of overdrafts would seem legitimate and proper. But beyond this, wherever the custom prevails to grant a pre-arranged credit to the depositor by honoring his checks without funds, it would seem better banking that a demand note be taken and placed to the credit of the depositor and it is presumably this practice of habitual overrawing by single customers by permission or arrangement with the bank, at which the Comptroller is aiming. In this view, the Comptroller's circular might properly receive attention as a request for co-operation in the eliminating of a bad practice although the suggested resolution would go too far and encroach upon legitimate operations.

Supplementing the above, overdrafts may be broadly divided into three distinct classes (1) fraudulent (2) by mistake (3) by pre-arrangement. First, there is the customer who has insufficient funds in bank and issues his check, knowing that it will not be honored or having no good reason to expect that it will be, and who negotiates the instrument with intent to defraud. Such a customer is a menace to the community and in a number of States a statute, recommended by our Association, has been passed making a person who with intent to defraud issues his check knowing at the time that there are not sufficient funds in or credit with the bank for its payment, guilty of a felony; providing further that the issue of such check shall be prima facie evidence of intent to defraud and defining the word "credit" as an arrangement or understanding with the bank for the payment of the check. A second class of overdrafts is of different nature, namely, overdrafts made through innocent mistake without fraudulent intent. A customer may have made a remittance through the mail which has gone astray, or he may have made a mistake in adding the total of credits or subtracting the total of drafts upon his account, or his confidential clerk may have embezzled the amount of a deposit after entering the same in the stub of his check book. In all such cases, wherever the customer is responsible and his credit would be injured by dishonoring his mistaken overdraft, it would seem good banking policy that the bank should protect his credit by paying the check, notifying him at the same time that his account is overdrawn. A third class of cases is the overdraft by pre-arrangement. The customer, for example, contemplates going into a neighboring community to buy live stock or agricultural products and by arrangement with the bank is permitted to draw checks for the amount of his purchases, the same to be settled for upon completion of his trip by the giving of a note and satisfactory security. The last two classes of cases indicate forms of making loans, not expressly prohibited by the National Bank Act and as indicated in the above reply, apparently within the power of the bank.

Overdrafts of the first, or fraudulent, class, including those where a customer has a "hope" that he may be able to deposit funds in bank before his check is presented, are everywhere regarded by banks

as objectionable, but overdrafts of the second class, issued in honest mistake, fall in a different category, as do those of the third class, made only in pursuance of previous arrangement with the bank. There is probably some difference of opinion among bankers as to whether it is better to adopt a uniform policy to refuse overdrafts entirely or whether it is good banking to pay honestly mistaken overdrafts of responsible customers as well as allow overdrafts by previous arrangement but, as already stated in the above reply, there appears to be no authority in the Comptroller's office to compel the board of directors of a bank to pass a resolution prohibiting the making of loans in such forms, although as a means of inducing co-operative action on the part of the banks, of their own volition, to adopt a policy prohibiting the payment of overdrafts in all objectionable cases, the circular should have good effect.

The following copy of a letter issued by a National bank in Kansas to its customers, recently received, indicates the adoption of a policy prohibiting overdrafts entirely, in accordance with the Comptroller's circular:

"____ National Bank,
"____, Kansas.

"February 13, 1915.

"To our Customers:

"The establishment of the Federal Reserve Banking system has brought about the adoption of new laws and regulations governing the conduct of bank officers, and the management of member banks.

"One feature of these new regulations which affects all member banks, is an order recently issued by the Comptroller of the Currency, under the authority of the Federal Reserve Act, prohibiting overdrafts, which reads as follows:

"That no officer or employee of a member bank shall pay or charge to the account of any depositor any check of such depositor when there are not sufficient funds on deposit to the credit of the drawer of the check to meet the same."

"In compliance with this new regulation, it will be necessary for all banks who are members of the Federal Reserve system to discontinue the practice of carrying an overdraft account on their books; we therefore give notice that from and after March 1, 1915, we will not be permitted to pay checks unless the persons issuing such checks shall have sufficient funds to their credit to cover such payments.

"It is not the intention of the law, neither is it our purpose to in any way curtail the usual liberal accommodations to our patrons, in fact we shall continue to extend to our customers in the future, as we have in the past, as large a line of credit as is consistent with good banking practice. This change will not in any way cause our customers any inconvenience, it will only make it necessary for them to anticipate their wants, and to call at the bank and keeps a bank account.

"We have been very fortunate in the past, because of the fact that a very small per cent. of our customers ever overdraw their accounts; however, we are issuing this as a general letter to all of our customers, trusting that those who occasionally overdraw their accounts will gladly adapt themselves to the new conditions, feeling sure that all will appreciate the fact that the new ruling is for the purpose of improving the banking conditions of the country, and is therefore issued in the interest of everyone who keeps a bank account.

"Thanking you for past favors, and assuring you of our sincere appreciation, we remain,

"Very truly yours,

"_____,

"Cashier."

Deduction of Bank Taxes from Gross Income

The Income Tax Law which imposes one per cent. tax upon the entire net income of corporations provides for the ascertaining of such net income by deducting from the gross income, among other things:

"(fourth) all sums paid by it within the year for taxes imposed under the authority of the United States or of any State or territory thereof, or imposed by the Government of any foreign country."

A number of letters have recently been received from bankers in the States of Montana, New Mexico and Wyoming, calling attention to a Treasury Department ruling that where the bank pays State or municipal taxes assessed against its shareholders, it cannot deduct the amount of taxes so paid from gross income in making return for the Federal Corporation Tax.

These letters assert that the ruling is unjust; that the taxes so paid by the bank are a just deduction the same as any other expense incurred in its business; and as the act clearly states that taxes imposed under the authority of any State may be deducted, a number of these letters urge that steps should be taken by the Association to procure a reversal of the ruling by the Treasury Department and if necessary by appeal to the courts.

In 1911, when the same question arose under similar provision of the Corporation Tax Law, General Counsel gave it full consideration and rendered an opinion, which will be found published in the JOURNAL for March, 1911, page 519, to the effect that the courts would hold that the provision of the law would not authorize a deduction by the bank of taxes paid where the tax is levied against the shareholder and the bank pays the tax for the shareholder, but that the right of deduction is limited to taxes paid, which have been assessed against the bank itself upon its own property. This opinion was concurred in by the attorneys of a number of banks and banking organizations in different States.

Since then, the precise question has been passed upon by the Federal courts in a number of cases.

In *Elliot National Bank v. Gill, Collector*, 210 Fed. 933, it was held that the provision for deduction did not entitle a bank located in Massachusetts to deduct from its gross income municipal taxes assessed on its shares of stock under the laws of Massachusetts which required the bank to pay such taxes, but gave it a lien on the shares of the stockholder for the amount paid for the reason that such taxes were clearly imposed upon the shareholder and not upon the bank or its property. The court said: "There can be no doubt but that the clause in the Federal statute providing for the deduction of 'all sums paid by it within the year for taxes imposed under the authority of . . . any State' means taxes imposed upon it and not upon some other person or corporation. No other reasonable conclusion could be drawn from the language used." After considering the provisions of the Massachusetts statute, the court said: "All this makes it certain that the tax is upon the stockholder and not upon the bank and that in paying

it, the bank does so as agent. My conclusion, therefore, is that as the taxes paid to the City of Boston in the years in question were not assessed upon the bank but upon the shareholders, and were paid for their benefit, the bank is not entitled to have them deducted in ascertaining its net income, as was done in its returns to the Commissioner of Internal Revenue in the years 1909, 1910 and 1911." The court further held that the Commissioner of Internal Revenue was vested with authority to amend the original returns of the bank and assess additional taxes thereon for the years 1909, 1910 and 1911; he not having discovered the error in the returns until after the taxes assessed on those returns had been paid; and although the errors in the original returns were due to an honest mistake.

In *National Bank of Commerce v. Allen*, 211 Fed. 743, the statutes of Missouri imposed a tax on bank shares, the tax to be paid in the first instance by the bank but the bank being given the right to recover same from the owners, or deduct it from dividends accruing on the shares and the amount was also made a lien on the shares. It was held that the taxes so assessed and paid by the bank were not taxes assessed against the bank which it was entitled to deduct in determining its net income under the Corporation Tax Law. The court said: "Can it be successfully claimed that the tax imposed by the State upon the shareholders of a bank is in any wise a tax imposed upon the bank itself? True, the bank is required to pay (i.e., advance) the amount of the tax but it is given a lien upon the shares of stock and all dividends thereon, until it is fully reimbursed by the shareholder. . . . The plaintiff had no right to deduct from its gross income the taxes assessed against its shareholders under the State statute. By doing so, it did not correctly state its net income and for that reason the Commissioner of Internal Revenue acted well within his rights and duties in making the assessments complained of in plaintiff's petition."

In *Northern Trust Co. v. M'Coach*, 215 Fed. 991, it was held that taxes assessed under the laws of Pennsylvania were taxes against the property of the individual stockholders and not against either the corporation or its property, hence not deductible from the bank's return.

In the light of the above authorities, there does not seem to be much likelihood of obtaining a reversal of the ruling complained of and in all States where the taxes are assessed against the shareholders as upon their property, though paid by the bank, the amount of taxes so paid cannot be deducted from gross income in making the return. Furthermore, it would seem, where deductions of such taxes have been made in the return for last year, the Commissioner of Internal Revenue is entitled to an amended return in which such deduction shall be eliminated.

It is undoubtedly true that the law as thus interpreted works a measure of injustice to the banking capital affected as compared with corporations which pay taxes assessed upon their capital or property and can deduct such taxes. Of course, where the bank pays non-deductible taxes assessed against its stockholders, the deduction is allowable to the individual stockholders in making their returns, but not all

shareholders of banks have a sufficiently large income to be taxable and there is, therefore, a discrimination against this latter class. When the Income Tax bill was pending in the House and Senate, General Counsel urged an amendment by the addition to the deduction clause of the words: "including all sums paid by banking or other corporations for taxes imposed upon shareholders on the value of their shares of stock therein," but without avail. It would seem, therefore, that the law as interpreted must be obeyed until such time as it is repealed or amended to conform more exactly to principles of justice.

Deduction From Income Tax of Interest on Government Bonds

The Income Tax Law (Sec. 2 of Act October 3, 1913) provides "That in computing net income under this section there shall be excluded the interest upon the obligations of a State or any political subdivision thereof, and upon the obligations of the United States or its possessions." In the form of return of annual net income of banks issued last year, there was provided among the items of deductions from gross income the following: "Total amount of interest received upon obligations of a State or political subdivision thereof and upon the obligations of the United States or its possessions." This year's blank for corporations (Form 1031 revised) contains no similar provision for such deduction, and in view of this omission a number of inquiries were received from banks asking as to their right to make the deduction of interest received upon obligations of a State or the United States.

These banks were advised by General Counsel that although the paragraph of the law above quoted which provides for the exclusion of such interest in computing net income is contained in that part of the law relating to individuals, nevertheless it would equally apply to corporations as it refers to all net income computed under "this section," namely, the Income Tax Law; that, therefore, a bank would have the right in stating the amount of its gross income to exclude such amount of interest as was received on the described governmental obligations. It was deemed wise, however, to obtain confirmation from the Commissioner of Internal Revenue on this point and in response to a letter on the subject, the following reply was received from Deputy Commissioner Speer, which is self-explanatory:

"Replying to your letter of the 8th instant, relative to 'interest on obligations of a State or political subdivision thereof, or interest on obligations of the United States or its possessions,' you are informed that such interest is not to be taken up, in either gross income or deductions, on blank, Form 1031, for annual return of net income of corporations.

"However, for the information of this office, the amount should be entered under 3 (c), 'gross income from interest,' in the 'supplementary statement' on back of the return blank."

Postal Savings Legislation

In the January JOURNAL-BULLETIN (page 488) we referred to the culmination of attempts during the 63d Congress to amend the Postal Savings Act which limits deposits of any one person to \$100 per month with total deposit limit of \$500, exclusive of accumulated interest, by the insertion of a rider to the Post-Office Appropriation bill, as follows:

Sec. 16. That such part of section six of the Act approved June twenty-fifth, nineteen hundred and ten, authorizing a system of postal savings depositories as reads "but no one shall be permitted to deposit more than \$100 in any one calendar month" is hereby amended to read as follows: "but the balance to the credit of any person, upon which interest is payable, shall not exceed \$1,000, exclusive of accumulated interest"; and said act is further amended so as to repeal the proviso in section seven thereof and insert in lieu of such proviso the following: "Provided, That the board of trustees may, in their discretion, and under such regulations as such board may promulgate, accept additional deposits not to exceed in the aggregate \$1,000 for each depositor but upon which no interest shall be paid."

The Post-Office Appropriation bill (H. R. 19906) passed the House on December 31st containing Section 16 as above set forth, although a minority report, concurred in by three members of the House Committee on Post-Offices and Post-Roads, opposed the method of proposing new legislation by means of riders on Appropriation bills.

It is interesting to note that on February 8th the Senate Committee on Post-Offices and Post-Roads reported this bill to the Senate with the section above quoted entirely struck out. The Committee in its report said: "After careful consideration, the Committee concluded to limit the bill to items of appropriation and therefore it has stricken out all matters of new legislation." On February 24th the bill as amended by the Committee passed the Senate. The entire appropriation bill, however, failed to pass before close of the session, a resolution having been adopted to continue last year's appropriation, and therefore the Postal Savings law with reference to deposits in the Postal Savings Banks will remain unchanged by any legislation in the 63d Congress. A history of the proposed legislation in the 63d Congress amendatory of the Postal Savings law with reference to deposits in savings banks is published in full in the article in the January number above referred to.

Amendment of Federal Reserve Act Relative to Acceptances

The Senate on March 1, 1915, passed H. R. 15038, relative to acceptances, which passed the House December 8, 1914, and the bill now goes to the President. The purpose of the bill is to authorize the Federal Reserve Board in its discretion to increase the amount of acceptances based on the importation and exportation of goods which a member bank may discount and a Federal Reserve bank rediscount. This will facilitate the financing of the export and import business and is expected to increase the membership in the Federal Reserve System. Following is a copy of the bill as finally passed, the words in

brackets indicating eliminations from and the words in boldface type additions to, the present provisions of the Act:

An act proposing an amendment to the Federal Reserve Act relative to acceptances, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section thirteen, paragraphs three, four, and five, of the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal Reserve Act, be amended and re-enacted so as to read as follows:

"(That) any Federal Reserve Bank may discount acceptances which are based on the importation or exportation of goods and which have a maturity at time of discount of not more than three months and indorsed by at least one member bank. The amount of acceptances so discounted shall at no time exceed one-half the paid up and unimpaired capital stock and surplus of the bank for which the rediscounts are made, except by authority of the Federal Reserve Board under such general regulations as said board may prescribe, but not to exceed the capital stock and surplus of such bank.

"The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation rediscounted for any one bank shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

"Any member bank may accept drafts or bills of exchange drawn upon it and growing out of transactions involving the importation or exportation of goods having not more than six months' sight to run; but no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half of its paid-up and unimpaired capital stock and surplus except by authority of the Federal Reserve Board, under such general regulations as said board may prescribe, but not to exceed the capital stock and surplus of such bank and such regulations shall apply to all banks alike, regardless of the amount of capital stock and surplus."

Late Rural Credit Developments

The subject of rural credits was understood to be postponed until the next Congress, awaiting further investigation, but during the closing days of the present Congress there have been some interesting developments in this relation.

In the Senate on February 25 during the consideration of the Agricultural Appropriation bill (H. R. 20415) Mr. McCumber of North Dakota introduced a rider (being the McCumber bill S. 6692 introduced December 7, 1914) providing for Government loans

to farmers on bond and mortgage at five per cent. through the agency of National and State banks, the Government to issue four and one-half per cent. ten or twenty-year debenture bonds and sell them to investors. The Agricultural bill as thus amended passed the Senate the same day.

In the Senate on February 27 the Committee on Banking and Currency reported with amendments the Hollis bill (S. 5542 introduced May 12, 1914) which as modified follows the general lines of the Federal Reserve Act, providing a Federal Farm Loan Board, Federal Land Banks in the Federal Reserve districts and local loan associations with minimum capitalization of \$10,000 to loan on farm mortgage security and sell the mortgages to the land bank of the district which will issue investment bonds based upon the mortgage security.

On March first the House passed the Agricultural Appropriation bill substituting for the McCumber rider the provisions of the Hollis bill, but adding a provision discarded in the Senate Committee calling for the purchase by the Government from the Federal Land Banks of not exceeding fifty million dollars yearly of farm loan bonds, the Government to provide means therefor by the issue of Panama Canal bonds bearing interest at three and one-half per cent.

Senate and House conferees having been appointed, the chief point of difference was the inclusion or exclusion of the Government aid feature.

After extended session the conferees were unable to reach an agreement on this matter of difference and therefore on March third they reported an agreement to both Houses on the Agricultural Appropriation bill in which the Rural Credits feature was eliminated. The following paragraph was however inserted in the bill by the conferees:

"There is hereby constituted a joint committee of the Senate and House of Representatives to consist of the chairman of the Senate Committee on Agriculture and Forestry, the chairman of the House Committee on Agriculture and the chairman of the committees on banking and currency of the two houses and two other members of each of said committees to be designated by the chairmen of the respective committees, and it shall be the duty of said joint committee to prepare, after such investigations as may be deemed necessary, and report to the Congress on or before January 1, 1916, a bill or bills providing for the establishment of a system of rural credits adapted to American needs and conditions. The sum of \$10,000 is hereby appropriated, the same to be immediately available out of any funds in the Treasury not otherwise appropriated, to defray all necessary expenses of said joint committee, payment of said expenses to be made upon vouchers approved by the chairman of said joint committee, who shall be selected by the committee."

OPINIONS OF GENERAL COUNSEL

Summary of Questions Received and Opinions Rendered to Members of the Association
ACKNOWLEDGMENT OVER TELEPHONE.

Opinion That Acknowledgment of Mortgage or Other Instrument Taken by Notary Over Telephone Would be Invalid as Law Requires Personal (Physical) Appearance of Person Making Acknowledgment.

From Washington.—I shall be glad if you will advise me whether an acknowledgment taken by a notary public over the telephone, is good in law, the notarial certificate stating that the person giving the acknowledgment "personally appeared" before him.

I am of opinion that an acknowledgment taken by a notary public over the telephone would not be valid, as it would not satisfy the requirement of the law that the person making the acknowledgment must personally appear before the notary.

Where the statute merely requires an instrument to be acknowledged, without prescribing any form of certificate or providing what it shall contain, a certificate is sufficient which fairly shows that the grantor personally appeared before the officer and acknowledged the instrument to be his act and deed. (*Russell v. Whiteside*, 5 Ill. 7; *Brunswick-Balke-Collender Co. v. Brackett*, 37 Minn. 58; *Hoboken Land, etc. Co. v. Kerrigan*, 31 N. J. L. 13).

The Washington statute in regard to the form of the acknowledgment provides: "A certificate of acknowledgment, substantially in the following form, shall be sufficient:

State of Washington, County of —, ss:
 I, (here give name of officer and official title) do hereby certify that on this — day of — 19—, personally appeared before me (name of grantor, and if acknowledged by wife, her name, and add "his wife,") to me known to be the individual or individuals described in and who executed the within instrument, and acknowledged that he (she or they) signed and sealed the same as his (her or their) free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this — day of — A. D. 19—. (Signature of officer.) (*Pierce's Wash. Code*, [1905], §4455).

The Washington statute, it is seen, requires the notary to certify that the person making the acknowledgment "personally appeared" before him and unless it could be said that the person standing at one end of a telephone and communicating his acknowledgment over the instrument to the notary at the other end, by so doing personally appears before the notary, the acknowledgment would be invalid for want of personal appearance and the notarial certificate of such personal appearance would be false and voidable.

I find no decided case where the precise question of the validity of an acknowledgment taken over the telephone has been the subject of decision. It has been held by the New York Court of Appeals that presentment of a note and demand of payment made by telephone is invalid because, to constitute a valid presentment, there is required personal attendance at the place of demand with the note in readiness

to exhibit it if required and to receive payment and surrender it if the debtor is willing to pay.

But while no decision upon the precise point of validity of an acknowledgment over a telephone has been found, the following authorities fortify the conclusion that an acknowledgment over the telephone is invalid.

It has been held in Indiana that a certificate of acknowledgment to a deed, made by the officer merely on the assurance of another that the party executed it, is a nullity. (*Mays v. Hedges*, 79 Ind. 288).

In *State Nat. Bank v. Mee*, [Okla. 1913] 136 Pac. 758, it was held that a notary is guilty of negligence if he certifies that he knows a person whom he does not know, or certifies that he knows a person on a mere introduction (without further proof) by some third person, or if he certifies that he knows a person to be the identical one who executed an instrument without such person actually appearing before him, and personally acknowledging the instrument in his presence.

See also *Barnard v. Schuler*, 100 Minn. 289, to the same effect. In this case the court said, inter alia: "There are two essential matters to which an officer must direct his attention in taking an acknowledgment. They are the identity of the person appearing before him as the party described in and who executed the instrument, and his unequivocal acknowledgment that he executed the instrument as his act and deed. Having satisfied himself as to both facts, he may certify to them. *Bennett v. Knowles*, 66 Minn. 4, 68 N. W. 111. This is a matter of such importance that the statute (R. L. 1905, §2661) makes it a misdemeanor for a notary public to affix his official signature to a certificate of acknowledgment unless the parties personally appear before him. And yet we were recently advised on the argument of a cause that reputable notaries are accustomed to take acknowledgments over the telephone."

From an examination of the various statutes it appears that without exception they require the personal appearance of the acknowledgor before the officer authorized to take such acknowledgment, and in none of the adjudicated cases is there recognized any personal appearance other than a physical appearance.

PRODUCTION OF BANK'S BOOKS AS EVIDENCE.

In Suit by Depositor Against Bank, Officer Served With Subpoena Duces Tecum Must Produce Books Called for Containing Evidence Relating to Transaction, in Absence of Statute Permitting Authenticated Copy.

From Oklahoma.—The writer was served today (as President of this bank) with a duces tecum subpoena to produce the bank's books in the District Court of this County on —, in a case wherein a customer has sued this bank for the recovery of usurious interest paid. I am writing to inquire whether or not we will have to produce our books in court.

An officer of a bank when served with a subpoena Duces Tecum to attend as a witness in a case wherein

the bank is being sued is bound to attend and produce the books specified in the subpoena which are in his custody and control and which contain any entry relevant to the matters in question in the action. Inconvenience to the bank is no ground for refusing production.

In England, there is a "Bankers' Books Evidence Act" which was passed to remedy the inconvenience of producing the original books and which allows examined copies of entries to be produced in their place. But there is no such statute in Oklahoma that I know of.

I am afraid, therefore, that you will be compelled, notwithstanding inconvenience, to obey the subpoena unless you make some arrangement with the plaintiff to allow certified copies to be introduced in place of the original books.

DELIVERY OF EXPRESS PACKAGE OF MONEY AFTER BANKING HOURS.

**Express Company not Limited to Banking Hours but
Tender of Delivery of Package After Banking
Hours Provided it is Within Usual Business Hours
of the Place is Sufficient—Question of Reasonable
Time for Delivery is One for a Jury.**

From North Carolina.—I have received a letter from the agent of the _____ Express Company at _____, Virginia, in which he says: "I was at _____, North Carolina, a week or so ago and discovered the money shipments for your bank were being held over by the agent there, when he has no safe place to keep same. I have discussed this matter with our Superintendent who says this money will have to be delivered to your bank on its arrival there at night. It will be very easy for you to hold your vault open until this train comes and put this money away in a safe place. Unless you can arrange this we will have to discontinue handling money from _____, Virginia, for your bank." The train arrives here at _____, North Carolina, about 7 p. m. which is well into the night and we do not feel that we are compelled to receive these shipments of money at that time of the night. Please write us your views on this matter, explaining fully what is our duty and what is the duty of the express company.

The question is whether a tender by an express company of a package of money consigned to a bank at or about 7 p. m. upon arrival of the train is at a proper and reasonable time. The bank on the one hand contends it is not compelled to receive shipments of money at that time of night and the express company on the other hand asserts that it has no safe place to keep the money over night and that it is an easy matter for the bank to hold its vault open until the train comes and then receive and store the money in a safe place.

An express company is a common carrier but its obligation as to delivery differs in some respects from that of a railroad in that it is incumbent upon the express company to make personal delivery of the package, while the railroad may deposit the goods in warehouse and notify the consignee to call for them.

The tender by an express company to a consignee of a package entrusted to its care must be reasonable in respect to time, place and manner and this is a question for the jury. But it has been ex-

pressly held that an offer to deliver a money package or specie to a consignee need not be made during banking hours, unless such is the special engagement or the established usage of the place in order to change the carrier's responsibility from that of insurer to that of bailee or warehouseman. Young v. Smith, 33 Ky. (3 Dana) 91, 28 Am. Dec. 57; Marshall v. American Express Co., 7 Wis. 1, 73 Am. Dec. 381. See Merwin v. Butler, 17 Conn. 138; Pate v. Henry, 5 Stew. & P. (Ala.) 101.

In Marshall v. American Express Co. *supra*, the facts were these: The Marshall, Ilsley & Ellis Bank at Milwaukee, on September 8, 1857, delivered to the American Express Company a money package of \$8,000 to be carried and delivered to the State Bank at Madison. The train from Milwaukee to Madison usually arrived between 4 and 5 p. m. On arrival of the train the package was taken to the office of the express company and from thence between 5 and 5.30 p. m. was taken by messenger to the State Bank. The teller informed the messenger he would have to keep the package until morning, for the vault was locked up and the cashier had gone with the keys. The package was then taken by the messenger to the office of the express company and was locked up in its safe. During the night the safe was opened and the package was stolen. It was contended by plaintiff bank that the package was never tendered or delivered to the consignee but was lost while in the custody of the American Express Company in its capacity of common carrier and hence the Company was responsible for its value. The Company contended that what it did was in law equivalent to a delivery and it was hence discharged from its liability as carrier. The jury found that the tender of the package was at a reasonable time and judgment was given for the defendant, absolving the Company from liability, which was affirmed by the Supreme Court of Wisconsin. A synopsis of the court's opinion is as follows:

The contract of the common carrier (the express company) is that it will carry packages or goods entrusted to it and deliver them to the consignee at the proper time and at the proper place, without loss or failure, except by the act of God or of the public enemy. The consignor also undertakes that the consignee or some proper person shall be at the proper place at the proper time to receive the goods, or in default thereof, upon due notice, the liability of the carrier as such is discharged. An express company receiving packages at Milwaukee to be delivered to a bank at Madison is not bound to deliver the same within what are called "banking hours" at the latter place. The term "banking hours" has reference to the ordinary business of a bank over its counter and not to the sending or receiving of packages or messages. It is competent to banks to prescribe certain banking hours within which their peculiar business shall be done. But these hours must be reasonable and adapted to their peculiar business with the public in general. The receiving of packages sent to a bank by express is not a business peculiar to banks and a tender or delivery therefore at the counter of a bank is sufficient though made at 5.30 p. m. and banking hours closed at 4 p. m. An offer by an express company to deliver a package to

the State Bank at Madison (the consignee) at 5.30 p.m. in the month of September at the counter of the bank to the teller thereof constitutes a tender equivalent to a delivery. It is not a sufficient excuse on the part of the bank for refusing to receive the package that it is tendered after banking hours and that the vaults are locked and the cashier gone to his residence with the keys. Where the teller of a bank had been in the habit of receiving packages consigned to the bank, from an express company, a tender of an express package by a messenger of the express company to the teller at the bank was sufficient. After a common carrier has discharged his duty as such, by a proper tender of the goods to the consignee, who refuses to receive them, his possession afterwards is as a mandatary only, and he is only liable for gross negligence. It is the duty of express carriers to deliver their goods or packages as soon as practicable after arrival at the place of consignment, within the usual hours of transacting general business in such place.

From this case and the other decisions cited it appears that a tender of delivery of an express package of money to a bank is sufficient if made within the reasonable business hours general to the place, although such tender is made after the close of banking hours. What is a reasonable time for delivery is, of course, a question for a jury. It may be that the jury would consider 5.30 or 6 p. m. a reasonable time for delivery during the Summer months, but would consider a tender of delivery at 7 p. m. during the Winter months after darkness has set in, as unreasonable.

In the particular case stated where the train does not arrive until 7 p. m., at a town in North Carolina, which during the Winter is well into the night, it seems to me the jury would be very likely to hold the tender of delivery was at an unreasonable time. It would be advisable, of course, if some special arrangement could be made with the express company, satisfactory to both parties, but if no such arrangement can be made, I am inclined to think the bank would be within its rights in refusing to receive a package of money from an express company at that time of night and to keep its vault open for the purpose. The ultimate decision of such a question, however, is one of fact to be decided by jury. Assuming the bank has a right to refuse to receive a money shipment at 7 p. m. during the Winter, I do not think the express company would have the right to discontinue handling such shipments of money to the bank. It is a common carrier and must take all business offered.

COMPETENCY OF NOTARY.

Many States, Where Law Unchanged by Statute, Hold Stockholder of Bank Disqualified to Act as Notary in Taking Acknowledgments of Instruments Running to Bank—Question Not Decided in Colorado.

From Colorado.—Please advise as to the competency of a notary to take acknowledgments of instruments running to a bank in which he is an officer and stockholder in this State.

An officer not being a stockholder is undoubtedly competent in Colorado to take acknowledgments of

instruments running to the bank, but it has been decided by the courts in a number of States that a notary who is a stockholder is disqualified because of his pecuniary interest. A minority of courts have, however, held that a notary, although a stockholder, is competent.

The only expression of the Colorado courts that I can find upon the question of the competency of a notary as affected by interest is in the case of *Brett v. Bennett* (Col.), 25 Pac. 310, where the court said: "The fact that the officer taking the acknowledgment of the chattel mortgage was the partner of the mortgagee and negotiated the loan secured by the mortgage does not render the mortgage fraudulent and void as to other mortgage creditors, when it is not shown that he was a party in interest to either the lien or the note."

But the above decision was based on a case where it was not shown that the notary was a party in interest and where the notary is a stockholder, the Colorado courts might hold that his stock interest was sufficient to disqualify him. The question is somewhat doubtful in your State in the absence of further positive opinion. It would not be absolutely safe therefore for an officer who is a stockholder of a bank in your State to take acknowledgments of instruments running to the bank. A proposed law drafted by General Counsel and recommended by the Association, designed to qualify the notary who is a stockholder, has been passed in a number of States, but not as yet in Colorado.

PAYMENT OF PROTESTED CHECK.

Bank Which, Without Express Instructions From the Drawer, Pays a Check Which Has Previously Been Protested, With the Notary's Fees, Does so at its Peril.

From Alabama.—Kindly give me your opinion on the following: A draws his check on a bank. Check when presented is not good for lack of sufficient funds and is protested. A few days later A makes a deposit which makes the check good and when presented the second time with notary fees added the bank pays the check with fees. Was the bank justified in doing this without instructions from drawer of the check?

I think the bank takes a risk whenever it pays, without instructions from the drawer, the latter's check which has previously been protested. The bank's authority from its customer and its obligation to pay, it seems to me, does not extend to a check which has already been dishonored and protested. When a check is once protested it becomes a liability of the drawer and the strictly proper procedure would be for him to give the holder a new check including the notary's fees and receive surrender of the old. Or it might be more convenient in a given case when his account has been made good for the drawer to request the holder to present the check again and to expressly instruct the bank to pay the protested check with fees added upon presentation. But where this is not done, the bank which pays without such express instruction does so at its peril. The drawer may not desire to have the protested check paid; may have, in fact, settled with the holder without taking

up the check or a condition may have arisen where the drawer is no longer indebted to the holder. For these reasons it would be safer for the bank to refuse to pay a protested check in the absence of express instructions from the drawer. I discussed this subject more at length in the JOURNAL-BULLETIN for April, 1913, at page 670.

DEPOSITARIES FOR INDIAN MONEY.

Moneys Belonging to Indians May be Deposited in Either State or National Banks Which Submit Bids Therefor and Comply With Certain Requirements.

From Washington.—I would like to learn if other than National Banks may engage in the banking field on Indian Reservations. I cannot recall any but National Banks in operation in these fields. I would like to learn if State Banks or private banks are permitted.

I am indebted to the Commissioner of Indian Affairs, Department of the Interior, for the following information:

"Under the law moneys belonging to Indians under the supervision of an Agency may be deposited in either State or National Banks (see the Act approved June 25, 1910; 36 Stat., 855).

"When a superintendent is in need of a depositary he invites the State and National Banks in the vicinity to submit bids giving the rates of interest they will pay on open accounts and time deposits and to prepare reports of condition on forms furnished by this office. No bank is considered for designation as a depositary unless it has been in operation one year and has a surplus equal to 10 per cent. of the capital. Applications may be rejected on other grounds, but all banks are expected to meet these two requirements."

It is suggested that your bank notify the superintendent of the agency from which it wishes to receive funds to send the bank a notice the next time he calls for bids.

CHECK TO A FOR ACCOUNT OF B.

Drawee Bank Which Pays Check to A is Not Charged With Duty of Seeing That A Applies Money to B's Account.

From California.—Will you kindly advise me how memorandum on face of check should affect payment—if at all—when check is made payable to A and memorandum reads "for account of B," or, "To be placed to the credit of B."

We understand that in cases where the notation is "In payment of bill, blank date," or, "In full of account to date," the matter is between the maker and the payee, provided, of course, the check is presented for payment, properly indorsed, but in the above case it might seem that the bank would be put on notice and that where memorandum is as stated, that indorsement of both A and B should be procured or else the bank should see that B's interest is protected so far as the amount of the check is concerned.

I would be glad to have an opinion from you in this matter with special reference to California decisions if possible.

I know of no decision which holds that where a check is made payable to A for the account of B, or

to be placed to the credit of B, the drawee bank in paying the money to A is charged with any duty of seeing that the payee disposes of the money as directed. To the contrary, the decisions are to the effect that a bank in paying out money to a payee who is designated in a representative capacity is not bound to see that the funds are properly applied but has the right to presume there will be no misappropriation.

The bank is not a constructive trustee for the beneficiaries of checks drawn on it payable to A for account of B. Such an instrument is a check, not a declaration of trust making the bank a trustee to see that the money gets to B, and the bank is under obligation to pay the check to A. See for example, Ridgely National Bank v. Patton, 109 Ill. 479.

The decision of the Supreme Court of California in U. S. Fidelity & Guaranty Co. v. First National Bank of Monrovia, 123 Pac. 352 is sufficient to indicate that there would be no duty upon a bank which pays a check drawn as you suggest, either to procure the indorsement of the beneficiary B or to see that B's interest is protected. In that case a check drawn on a Missouri bank was made payable to A guardian for B. It was forwarded to the California bank with instructions to deliver the same to A. This was done and A duly indorsed the check as guardian, presented it to the California bank and requested that it open an account with him in his individual name and when collected place the amount of the check to such account. This was done and A checked out and misappropriated the money. The court held that the bank was not liable. In the course of its opinion it said: "It is conceded that the bank upon presentation of the check duly indorsed, might properly and without cause for complaint have paid the full amount thereof to Kenyon (A) in cash. This being true, we can see no reason preventing it with equal propriety from holding it at his request either as a general or special deposit subject to his order *** Appellant's contention if accepted as applicable to the facts presented, would render banks ex officio trustee in general for all cestui que trusts. In our opinion the law does not impose such duties upon banks or other depositaries of trust funds."

It would follow from this decision that if a bank may lawfully cash for A a check payable to A guardian for B and pay over the proceeds to him without being charged with any duty of seeing that such proceeds are properly applied, equally the bank on which such a check is drawn could pay the amount to A without question and that whether the check was made payable to A guardian for B or to A for account of B or to be placed to the credit of B, the same reasoning would apply.

SLIGHT EXCESS INTEREST NOT USURIOUS.

Where, for convenience of calculation, interest is taken slightly in excess of legal rate, transaction not usurious.

From Virginia.—Will you please advise if it would be considered a violation of the laws pertaining to usury for a bank in Virginia to charge \$7.67 interest on a note for \$500 dated November 6, 1914, payable three months after date. This is

on a basis of calculating the interest for 92 days, and if followed for three renewals of three months each it would produce an income from interest of \$30.42, whereas the straight interest for one year at six per cent. would be \$30. If the above would be considered a violation of the usury law, would it still be a violation if the interest were deducted as discount at the time the note was accepted rather than added to the note as interest and collected at its maturity?

In my opinion neither of the transactions stated would be held usurious in Virginia.

As a general rule the taking of interest slightly in excess of the legal rate due to the use of rules of computation customarily adopted in similar transactions, for the purpose of avoiding complicated calculations, or for other innocent reasons, is not regarded as usurious. *Neal v. Brockhan*, 87 Ga. 130 holding that where the legal rate is twelve per cent. per annum, taking one per cent. for the single month of February, which is only one-thirteenth of a year, is not usury; *Conger v. Tradesman's Bank, Lalor [N. Y.] 34; Keckley v. Winchester Union Bank*, 79 Va. 458; *Parker v. Cousins*, 2 Gratt. [Va.] 372 where, on the discount of commercial paper, the month was reckoned at thirty and the year at 360 days; interest of one-half per cent. for thirty days was taken; and this was held not to be usury. On the discount of a note for the maker, it was agreed that it might be renewed every sixty days, for a specified time, on the maker's paying the discount. It was so renewed, and upon the renewals, interest was charged twice for every sixty-fourth day. And it was held that this was not usury; *State Bank v. Cowan*, 8 Leigh [Va.] 238.

The rule has thus been stated in Virginia in earlier cases: It is settled in Virginia that the taking the discount in advance, upon discounting a note at bank, is not usurious; and that the including the day of payment of the first note in the second, whereby the bank receives under each note interest for the same day, is not usury. (*State Bank v. Cowan*, 8 Leigh 238; *Crump v. Nicholas*, 5 Leigh 251; *Stribbling v. Bank of the Valley*, 5 Rand. 132.)

When interest is computed on the assumption that a year consists of three hundred and sixty days, a month of thirty days, and other portions of the year upon the same basis, as a matter of convenience in calculation merely, by the better ruling no usury exists. (*Camp v. Bates*, 11 Conn. 487; *Patton v. Lafayette Bank*, 124 Ga. 965; *Planters' Bank v. Bass*, 2 La. Ann. 430; *Agricultural Bank v. Bissell*, 12 Pick. [Mass.] 586; *Planters' Bank v. Snodgrass*, 4 How. [Miss.] 573; *Lafayette Bank v. Findley*, 1 Ohio Dec. [Reprint] 49; *Merchants' etc. Bank v. Sarratt*, 77 S. C. 141; *Parker v. Cousins*, 2 Gratt. [Va.] 372; *North Carolina State Bank v. Cowan*, 8 Leigh [Va.] 238; *Bradley v. McKee*, 3 Fed. Cas. No. 1784.) There are a few early cases to the effect that this mode of computation is usurious, but the great weight of authority is the other way, and statutes have also been passed in a number of States legalizing the method of computing interest on the basis of thirty days to a month and three hundred and sixty days to a year.

It would seem to follow from the cases above cited that a bank in Virginia can compute interest on the basis stated in your letter without incurring the penalty for usury.

RESTRICTIVE INDORSEMENT OF BEARER CHECK.

Where instrument is payable to bearer and is indorsed specially, it may nevertheless be further negotiated by delivery.

From New Jersey.—May we ask you to advise us in regard to the law respecting checks drawn to the order of bearer? Does such a check, when restrictively indorsed, lose its character as bearer paper, or may it be still negotiated by delivery? To cite a specific case, if a check drawn to the order of bearer is deposited in this institution, with or without the indorsement of the depositor, and it is indorsed by us to the order of our New York correspondent, can this last indorsement, if check miscarries in the mail, be cancelled and the holder negotiate same by delivery? It is merely the legal aspect of this question that we raise. We waive the fact that in practice no bank would cash the check with indorsement so cancelled. Should a bank cash such a check, would it be liable to the rightful owner?

From Massachusetts.—Does a restrictive indorsement on a check destroy the negotiability to bearer when so payable? A check payable to bearer was presented at the teller's window for payment, which bore a stamped indorsement, "For deposit only," for which payment was refused. Had the teller cashed this check on its face and in ignorance of such indorsement, would the bank have been liable?

The Negotiable Instruments Act expressly provides (Sec. 40 New Jersey Act; Section 57 Massachusetts Act) as follows:

"Where an instrument, payable to bearer, is indorsed specially, it may nevertheless be further negotiated by delivery; but the person indorsing specially is liable as indorser to only such holders as make title through his indorsement."

I think the above provision would protect the bank which cashed or paid to the holder a check payable to order of bearer, which had been restrictively indorsed, although it should turn out that the check had been lost by or stolen from the true owner. Of course, the restrictive indorsement in a way constitutes notice that some holder of the instrument has made it payable to a special indorsee and it would not seem to be good banking practice to cash or pay such a check for the holder without inquiry, but if payment is made to the holder I think the bank would be protected in view of the above provision of the Negotiable Instruments Act which expressly provides that a bearer check is negotiable by delivery notwithstanding it contains a special indorsement.

BANK STOCKHOLDER'S RIGHT OF INSPECTION.*

Stockholder in National bank entitled to inspect books and papers of corporation.—Authorities examined with reference to question whether (1) right absolute or (2) only enforceable for proper purposes.

From Pennsylvania.—Please advise whether a stockholder of a National bank has a right to look over the books of the bank and with the aid of an expert make extracts from them.

* Originally published in February number (page 577) and now reprinted because of printer's error in first publication.

From Pennsylvania.—Kindly advise whether the stockholder of a National bank who is an officer of a competing institution has the right to demand the books, papers and documents of the bank for inspection or examination by himself and an expert accountant. Assuming his motive is to discredit the management, should his request be ignored?

At common law, a stockholder of a corporation is given the right to inspect the books and papers of the corporation when the inspection is sought at proper times and for proper purposes, and in many of the States this right is expressly conferred by statute. In some States the statutory right is held to be absolute while in others, if the motive of the stockholder is improper, it will be denied. The right of inspection exists in the case of stockholders of banking as of other corporations and National banks being deemed citizens of the State in which they are located, are held in a number of cases to come within the purview of State statutes granting the stockholders right of inspection. The remedy of the stockholder where his demand for inspection is denied by the officer of the corporation is generally by writ of mandamus.

The State of Pennsylvania is among those jurisdictions whose courts hold the right of inspection is not absolute but rests within the sound discretion of the court and will be denied if the motive is improper. However, it will not be refused simply because the stockholder is interested in a competing corporation. I find no decision in Pennsylvania specifically relating to the right of National bank stockholders, but there are a number of cases passing upon the rights of stockholders in other classes of corporations and the doctrine of the courts would be equally applicable to National bank stockholders.

In *Phoenix Iron Co. v. Com.*, 113 Pa. St. 563, it was held that the books and papers of a trading corporation, though of necessity left in some one hand, are the common property of the stockholders; and unless the charter provides otherwise a stockholder has the right, at proper times, to inspect them personally, and with the aid of a disinterested expert to make extracts from them, for a definite and proper purpose. In the course of the opinion, the court said: "Such a right is, of course, not to be exercised to gratify curiosity, or for speculative purposes, but in good faith and for a specific, honest purpose, and where there is a particular matter in dispute, involving and affecting seriously the rights of the relator as a stockholder."

In *Kuhbach v. Irving Cut Glass Co.*, 220 Pa. St. 427, it was held that where a stockholder furnishes sufficient data to warrant the conclusion that there is mismanagement, and that the affairs of the company are not conducted in a proper manner and in the interest of the stockholders, he has a right to demand of the officers of the company permission to examine the books, records, etc., so that he may protect his interests by a bill in equity, or otherwise; and if the demand is refused and he makes application to the court to enforce it, a mandamus should be awarded. The mere fact that the relator in such a proceeding is a stockholder in a competing company, is not of itself sufficient to deprive him of the

relief which he seeks by mandamus; nor is an offer by defendant company to buy relator's stock at a price fixed by the company a sufficient answer to his demand for an inspection of the books and papers of the company. See also *Neubert v. Armstrong Water Co.*, 211 Pa. St. 582, to the same effect.

However, the case of *Schondelmeyer v. Columbia Fire Proofing Co.*, 219 Pa. St. 610, demonstrates that the issuance of the writ of mandamus in such cases rests in the sound discretion of the court, and does not issue in course, and of course, to every petitioner who may happen to be a stockholder in a corporation as a matter of right. He must show to the court grounds which entitle him to the issuance of the writ.

In that case it was held that a stockholder of a corporation who has brought an action of trespass for deceit against the president of the corporation as an individual, for misrepresenting the value of the stock of the company sold to the plaintiff, has no standing to demand an inspection of the books of the corporation in order to ascertain the value of the stock. The court, in the course of the opinion, said: "It is laid down in the books that a stockholder is entitled to an inspection of the books of the company at reasonable times and for a specific and proper purpose. We have been referred to no case in which it has been held that an examination for any purpose, except such as affected the rights of the party as a stockholder, is a proper purpose. . . . We cannot see how in the present case the rights of the relator as a stockholder are in any way affected."

In *Hodder v. George Hogg Co.*, 223 Pa. St. 196 (following *Kuhbach v. Irving Cut Glass Co.*, 220 Pa. St. 427), it was held that a stockholder of a corporation has the right to inspect the books of the company at a proper time and in a proper way, even though his only object be to ascertain whether the business has been properly conducted; and the fact that he is interested in a competing company is not a good and sufficient reason for refusing.

Cases in other States specifically involving the right of stockholders of National banks to inspect the books and papers of the bank are the following:

In *Winter v. Baldwin*, 89 Ala. 483, it was held that National banks organized under the act of Congress are within the purview of the statute securing to stockholders in a private corporation the right to inspect and examine its books, records and papers (Code, Sec. 1677); and the right, when improperly denied, will be enforced by mandamus.

In *People ex rel Lorge v. Consolidated National Bank*, 105 N. Y. App. Div. 409, a dealer in stocks and bonds, who owned stock in a National bank, was, at his request, shown the stock book at the bank, but was denied permission to make a copy of the list of stockholders, which he desired in order to negotiate for the purchase of stock. On application to the court, it was held: Both by Federal and State statute the bank is bound to keep its stock book open for the inspection of its shareholders, whose right of inspection includes the right to make such copies and memoranda and extracts from the book as will enable the shareholder to retain the information disclosed by the inspection. The court has power to withhold an inspection for an illegitimate purpose and may regulate the time when the inspection shall

be made. But where sought for a legitimate purpose, and application is made during business hours, the right to inspection is mandatory. In this case the purpose of the stockholder was legitimate and he had a right to make a copy of the stock list.

It was held in *Matter of Tuttle v. Iron National Bank*, 170 N. Y. 9, that the Supreme Court of New York has power, in its discretion, to compel the directors and officers of a National bank in process of liquidation, after the expiration of its charter by limitation, to exhibit to the stockholders the books, papers and assets of the bank, and to permit them to examine and take extracts therefrom; and that the proper method of such compulsion is by peremptory writ of mandamus.

The court, in the course of the opinion, said: "The principle upon which a stockholder is allowed access to the books of a corporation is as applicable to the case of a banking corporation as it is to any other kind of corporation. It is his common law right, and, unless restricted by law or by the charter, the exercise of that right will not be denied him, at a proper time and place, when the circumstances are such as seem to the court to make that right available."

It was held in *People v. National Park Bank*, 122 N. Y. App. Div. 635, that a stockholder may enforce his right under section 29 of the Stock Corporation Law to an inspection of the stock book by mandamus. But the granting of the writ is in the discretion of the court and may be denied where the application is not made in good faith but for an ulterior purpose and to aid undisclosed persons in some undisclosed scheme against the corporation.

In *Harkness v. Guthrie*, 27 Utah, 248; 75 Pac. 624, it was held that an application by a bona fide stockholder of a National bank to examine its books, accounts, loans, etc., in order to determine the value

of his stock, is not a visitation of the corporation, within Rev. St. U. S. § 5241 [U. S. Comp. St. 1901, p. 3517], providing that no National banking association shall be subject to any visitatorial powers, etc., so as to prevent the stockholder from obtaining such relief under Rev. St. Utah, § 329, declaring that all books of any corporation shall be subject to the inspection of any bona fide stockholder at all reasonable hours.

This case was affirmed in 199 U. S. 148 (*Guthrie v. Harkness*), holding that the shareholder in a corporation has a common law right, for proper purposes and under reasonable regulations as to time and place, to inspect the books of the corporation of which he is a member; that the possibility of the abuse of a legal right affords no ground for its denial, and while an examination of the books of a corporation should not be granted for speculative or improper purposes, it should not be denied when asked for legitimate purposes.

In some States, as already stated, the courts hold that where the statute gives to stockholders the right to inspect the books and papers of the corporation, the purpose or motive of the stockholder making the demand for the inspection is not material and he cannot be required to state his reasons therefor. The courts in other States hold, to the contrary, that the right of inspection of corporate books and records conferred by statute applies only where the purpose of inspection is a proper one and will therefore be enforced only after an inquiry by the court into the merits of the application. It is not the purpose here to present the result of an extended examination of the authorities on both sides of this question but simply to indicate the law of Pennsylvania which, as above shown, conditions the enforcement of the right upon a proper purpose or motive of the stockholder as illustrated in the Pennsylvania cases above cited.



LONG TERM MORTGAGES

Bernard Goodman, President of the Greater New York Taxpayers' Association, recently made the following remarks, which may also apply to other cities than New York:

"Twenty years ago the calling in of a first mortgage was a rarity. A first mortgage was considered a safe investment, and there was no question as to its integrity or reliability. About a year ago first mortgages began to be called in on many properties, and a new danger, namely, the uncertainty of renewals, began to threaten property owners. There is no doubt that should this condition persist, many equities would be wiped out.

"A remedy is in the creation of a State bank, for the purpose of making long-term amortization loans, to be gradually reduced by yearly payments

on the principal until the entire debt is discharged. I looked up the banking law of 1908, and found that it placed certain limitations on real estate loans by banking institutions. Since this law went into effect the downward tendency in the value and marketability of real estate seems to have begun, and the results have become more manifest.

"The problem can, in my opinion, best be solved by a State institution that will issue long-term mortgages. The benefits to both principals are undoubtedly. The owner is relieved of the anxiety and heavy expense attendant upon each renewal of his mortgage. The lending institution has its money conservatively invested in a reliable product which practically guarantees an assured return on its money for many years."

BULLETIN OF THE AMERICAN INSTITUTE OF BANKING

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INSTITUTE FORUM

BANK NOTES AND BANK CHECKS

Will you explain the statement so often made, that bank checks in this country are virtually bank notes?

The statement that bank checks are bank notes is not intended to be taken literally. A somewhat similar theory is to be noted in connection with gold certificates, which to all practical extent and purposes are "gold." What is meant is that, as we use it in this country, the bank check has not only taken the place largely of the true bank note so far as our business public is concerned, but also the deposit-and-check functions of our banks have supplanted the note issuing function. The money stock of any nation must be elastic to conform to the needs of commerce and exchange; it must both expand and contract. This essential element of elasticity is supplied by credit money, of which the bank note is the most important and conspicuous example. Up until the recent application of the Aldrich-Vreeland amendment to the National Bank Act, bank notes in the United States did not and could not give to our money supply the degree of elasticity necessary. Their issue was based upon the price of Government bonds and not upon the fluctuations of trade. Instead of serving the purpose of bank notes they became merely a part of our fixed stock of money, as is the case with greenbacks and silver certificates. It is quite likely that they will continue in circulation for many years, either in their present form or issued by the reserve banks, as they will be after December 23d of this year, chiefly because they form an important part of our bed-rock supply that is needed at all times.

After the financial disturbances resulting from

the Civil War had righted themselves and specie payments were resumed, it was noted that the place of the old discontinued State bank notes was taken not by the National bank note, but by the bank check. True, we had a currency that was far superior so far as its value as a circulating medium was concerned, but that was due to reasons quite apart from considerations of elasticity. While the National Bank Act eliminated the State bank note, the actual facts are that it changed the form of the circulation liability of all banks into a deposit liability. The change was one of accounting on the part of the banks and of business habit on the part of the public. Let us illustrate.

Under the note liability method of extending credit, a borrower would apply, let us say, for \$10,000. The bank would grant him this accommodation, thus increasing its assets by that amount in loans and discounts. The bank would then issue its notes to the borrower for a like sum and enter the amount under "circulation." The notes would then be paid out by the borrower to meet his obligations. Under the deposit liability method the same process is gone through with, except instead of advancing bank notes, the bank increases the borrower's balance by \$10,000 and gives him the privilege of drawing his checks against it. The checks are more convenient to use and are safer in the hands of the drawer than are the notes. The banks and the people have not been slow to recognize that bank checks are superior in many ways to bank notes, and it is unthinkable that we shall ever return to the old methods.

It will be noted that the check collecting provisions of the Federal Reserve Act are in Section 15, which is devoted to note issue. The check collection problem which has succeeded the old State bank note

collection contest between the country and the city bank, can be settled only when bank checks are provided with the same facilities of presentation and redemption as are accorded bank notes. The Federal Reserve Act recognizes this fact. It is unfortunate that the whole matter has degenerated into a controversy over exchange charges. In its final aspects the problem of the transit check is precisely the old problem of the State bank note and it can be settled permanently only when the same remedies are applied.

LEGAL TENDER QUALITIES OF UNITED STATES MONEY

Will you kindly supplement what was said in the February Forum about the legal tender qualities of Gold Certificates with an explanation of the legal tender qualities of the various kinds of United States money?

The following explanation of the legal tender qualities of our money is contained in the first pamphlet of the Institute study course: Gold coin is legal tender at its nominal or face value for all debts, public and private, when not below the standard weight and limit of tolerance prescribed by law; and when below such standard and limit of tolerance it is legal tender in proportion to its weight. Standard silver dollars are legal tender at their nominal or face value in payment of all debts, public and private, without regard to the amount, except where otherwise expressly stipulated in the contract. Subsidiary silver is legal tender for amounts not exceeding \$10 in any one payment. Treasury notes of the act of July 14, 1890, are legal tender for all debts, public and private, except where otherwise expressly stipulated in the contract. United States notes are legal tender for all debts, public and private, except duties on imports and interest on the public debt. United States notes, upon resumption of specie payments, January 1, 1879, became acceptable in payment of duties on imports and have been freely received on that account since the above date, but the law has not been changed. Gold certificates, silver certificates, National bank notes and Federal reserve notes are not legal tender, but both classes of certificates are receivable for all public dues, while National bank notes are receivable for all public dues except duties on imports, and may be paid out by the Government for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the United States, except interest on the public debt and in redemption of the national currency. All National banks are required by law to receive the notes of other National banks at par. Federal reserve notes are obligations of the United States and are receivable by all member banks and all Federal reserve banks, and for all taxes, customs and other public dues. They are redeemable in gold on demand at the Treasury of the United States in Washington or in gold or lawful money at any Federal reserve bank. Federal reserve banks may not pay out the notes of any other reserve bank. The minor coins of nickel and copper are legal tender to the extent of 25 cents. Foreign coins are not legal tender.

THE INSTITUTE STUDY COURSE AND THE FEDERAL RESERVE ACT

Will the Institute textbooks be changed on account of the Federal Reserve Act?

In the study of banking in theory and practice no changes need be nor, at the present time, can be made on account of the enactment of new legislation. The Federal Reserve Act should be studied as an effect rather than as a cause. It will change banking theory little, if any, because correct banking theory which has produced the Act is not subject to any material changes. On the other hand, there is no question but that banking practice will gradually be revised where revision is necessary to conform to correct theory. That is one reason for the Federal Reserve Act. This transition will be gradual, partly because the Act specifically provides that it shall be so and partly because the natural conservatism peculiar to banking does not permit of sudden changes. In any event, such changes in banking practice as will result can be studied and understood better from actual observation than from textbooks. Books are written to record the experience of other men and other times, thus adding to the knowledge secured through personal experience. It is obvious that no textbook on banking can be changed to conform to new conditions until all the provisions of the Federal Reserve Act are worked out and all the functions of the reserve banks are in actual operation.

In the study of the Institute course these facts must be taken into consideration. If National banks assume any of the functions of trust companies or savings bank it does not alter the principles or methods under which these latter institutions operate. The same is to be said of clearing houses. Loans and investments, bank examinations, the extension of credit and all other phases of banking treated in the Institute study course may be altered somewhat in form but not in principle. So far as bank reserves are concerned, the change in the percentage of reserve required is not the important change. The significant change is that reserves will hereafter be concentrated instead of being scattered; they may be used under certain restriction in case of need instead of being locked up in steel-bound vaults. The principle involved in maintaining and calculating reserves remains the same. The first part of the course pertaining to "Wealth and Banking" has already been changed somewhat and now includes the full text of the Reserve Act, with a synopsis and some comment. Suitable revision of the remaining part of the course will be made as soon as it is practical to do so.

WHAT JAMES B. FORGAN THINKS OF THE INSTITUTE.

I should consider any young man engaged in learning the banking business who did not avail himself of the advantages—educational and otherwise—of the Institute not only lacking in proper ambition to succeed, but derelict in his duty to himself and to the bank employing him.

State Banking Institutions and the Federal Reserve System

Symposium in the Forum of New York Chapter

—Discussion of the Advantages and Disadvantages of Membership in the Federal Reserve System from the Viewpoint of Both State and National Banks—The Position of the Savings Bank by E. G. McWilliam, the Commercial State Bank by Henry Billman, the Trust Company by Fred W. Ellsworth, the National Bank by Howard Wolfe—Amendments to the Act which might Induce State Chartered Institutions to Enter the System—General Discussion and Criticism of the Arguments Advanced.

The Forum of New York Chapter has been discussing different phases of the Federal Reserve Act during the present season with great profit to the members who have been following the Institute ideal of a "forum" as a place to go with knowledge, rather than for knowledge. All of the meetings have been interesting and none more so than a recent one devoted to a discussion of the position of the State banks with respect to membership in the Federal Reserve System. Four papers were read, presenting the subject from the viewpoint of the State bank, the Trust Company, the Savings bank and the National bank. It was the intent of the authors of these articles to present the arguments that have been commonly advanced without respect to their own individual opinions as to the merits of such arguments. All took part in the discussion which followed and many additional points and refutations were brought out. The preliminary papers follow:

SAVINGS BANKS AND THE FEDERAL RESERVE BANK.

E. G. McWilliam.

Secretary Savings Bank Section American Bankers Association.

In considering the relation of savings banks to the Federal Reserve System it must be borne in mind that we have two kinds of savings banks in this country, the "mutual" or those having no capital stock, and the "stock" or those organized with a paid in capital. While the character of the dealings of both these banks with the public is similar, their loans and investments differ according to State laws until they become at utter variance. Hence in considering any possible relationship between these two classes of savings banks and the Federal Reserve System, each must be considered separately in the light of the kind of business it transacts both with its depositors and in its loans and investments.

CONDITIONS OF MEMBERSHIP.

The Federal Reserve Act provides that State banks may become members of the Federal Reserve System under such rules and regulations as the Federal Reserve Board may prescribe, provided said banks upon becoming members conform to the Na-

tional Bank Act (1) in regard to the liability of borrowers to the bank, which shall not exceed one-tenth of the paid in capital and surplus, and which in no event shall be over 30 per cent. of the capital stock; (2) in regard to the purchase of or loans upon stock of such banks, which is prohibited; and (3) in regard to the withdrawal of capital or payment of unearned dividends, both of which are also prohibited.

State banks to be eligible to such membership must also have an unimpaired capital sufficient to entitle them to become National banks in the place where they are situated, under the National Bank Act, which provides as follows:

Where population does not exceed 3,000, capital required \$25,000.

Where population does not exceed 6,000, capital required \$50,000.

Where population does not exceed 50,000, capital required \$100,000.

Where population is above 50,000, capital required \$200,000.

Upon becoming members of the system, banks must subscribe for stock in the Federal Reserve Bank of their district, a sum equal to 6 per cent. of their paid up capital and surplus. While at the organization of the system it was provided that one-half of this sum was to be paid in in installments, and the other half on call, apparently State banks joining after the system has been in operation for six months will be required to pay one-half of their subscription in one sum, the remainder to be on call. It is provided that the stock of Federal Reserve Banks shall pay 6 per cent. cumulative dividends.

Assuming that all of the deposits in the savings banks of the country come under the classification of "time deposits," these banks should they enter the system will be obliged to carry but 5 per cent. reserve, of which country banks will be required to carry after the first three years 4/12 in own vaults, 5/12 in Federal Reserve Bank and 3/12 in own vault or Federal Reserve Bank; Reserve City Banks 5/15 in own vault, 6/15 in Federal Reserve Bank and 4/15 in own vault or Federal Reserve Bank; Central Reserve City Banks 6/18 in own vault, 7/18 in Federal Reserve Bank and 5/18 in own vault or Federal Reserve Bank. The Act provides that reserve funds in Federal Reserve Banks may be checked against to meet existing liabilities but any amounts so withdrawn must be restored before new loans or dividends may be made or declared.

The Reserve Board has defined time deposits and savings deposits as follows:

"The term 'time deposits' is interpreted to include any deposits subject to check upon which the bank has the right by written contract entered into with the depositor at the time the deposit was made to require from such depositor not less than thirty days' notice before such deposit or any part thereof may be withdrawn. Any agreement, written or verbal, entered into by

a member with a depositor not to enforce the terms of such contract of deposit shall be construed as vitiating the contract, and any member bank reporting as time deposits any deposits on which it has not the right to require not less than thirty days' notice before withdrawal, may be subject to the penalties prescribed by Section 5,209 of the Revised Statutes of the United States.

"The term 'savings accounts' shall be held to include those interest-bearing accounts which are carried with the bank under written agreement on the part of the bank to pay a specific rate of interest, which rate is to be paid to all other depositors having similar accounts, and where the depositor is required to present his pass book with each check drawn. Savings accounts shall not be held to include any ordinary checking accounts where presentation of the pass-book with the check is not required.

"In the case of State banks and trust companies located in states whose laws require that funds accruing from savings accounts shall be invested in any particular class of securities, only those accounts whose balances are so invested and which are handled so as to comply with the technical requirements of the State laws shall be held to be savings accounts within the meaning of this act."

PRIVILEGES OF MEMBERSHIP.

Having considered the conditions of membership, let us for a moment consider the privileges incident to membership in the Federal Reserve System. These may be briefly enumerated as follows:

First.—The privilege of depositing at par all checks drawn upon other member banks, and of charging customers actual expense of collections and exchange, rate of same to be fixed by Reserve Board.

Second.—The privilege of rediscounting commercial notes, drafts and bills of exchange, protest waived, not including those drawn or issued to carry stocks or securities except U. S. bonds; such paper not to run for more than ninety days, except agricultural and cattle paper in amount fixed by Reserve Board, having a maturity not to exceed six months.

Third.—The privilege of rediscounting in amount equal to one-half of capital and surplus acceptances based on exports or imports and maturing in not more than three months.

Fourth.—The privilege of selling to Reserve Bank cable transfers, bankers' acceptances, and other bills of exchange of the above kind and arising from commercial transactions.

Fifth.—The privilege, if not in a Central Reserve City, of making loans maturing in not to exceed five years on farm lands within the district at not to exceed 50 per cent. of value of the property, up to an aggregate of 25 per cent. of capital and surplus or to one-third of time deposits.

However, in weighing these privileges against those now enjoyed by State banks of any class it must not be lost sight of that the greatest privilege and protection which the Federal Reserve System affords its members is that of being able to get money when it is most needed; and at such a time the price a bank must pay for money is insignificant in comparison with the fact that it can get it.

MEMBERSHIP UNDESIRABLE FOR NON-COMMERCIAL INSTITUTIONS.

During an address delivered before the American Bankers' Association at its Richmond convention, Dr. Willis, Secretary of the Federal Reserve Board, said:

"An institution that is not normally supplied with assets that enable it to do business with the system right along on a reasonable basis, I don't think has very much to gain in joining."

In other words, what might be termed non-commercial banks—those whose assets are not of the kind to enable them to take advantage of any of the privileges mentioned above, from a selfish standpoint, have little to gain from membership in the Federal Reserve System, except what advertising value might be attached to the publication of the fact of such membership. It is conceivable that said advertising value would be large in some communities, and as the value of a unified banking system is universally recognized, let us consider what general and special amendments to the Federal Reserve Act would be desirable and necessary before the savings banks of the country generally entered the system.

SUGGESTED GENERAL AMENDMENTS.

Two or three general amendments applying to all State banks alike, immediately suggest themselves.

First.—The Act provides no way for State banks to retire from the system once they have entered it, except through liquidation or expulsion for non-compliance with the regulations of the Reserve Board. Therefore, it would, under present conditions, be a wise precautionary measure for a State bank to become a National bank before joining, which would permit of its relinquishing such charter and again becoming a State bank if membership in the system proved unsatisfactory. This could not be accomplished by either of the other methods now provided without prejudice against a bank in the minds of the public who would necessarily be unfamiliar with the actual circumstances.

Therefore, the Act should first be amended to permit State banks to surrender their stock in the Federal Reserve Bank at any time and providing for the return of cash paid for same, together with interest at the rate of dividends, if earned, from the last dividend date.

Second.—The Act provides that State banks are to be admitted to membership under such rules and regulations as the Reserve Board shall prescribe. The vagueness of this provision together with the fact that the regulations of the board under one administration might be nullified by the board under a succeeding administration, as each President has it in his power to appoint a majority of the board, will deter many State banks from joining. Men as a rule will be very slow to entrust the management to others of that which through years of personal hard work and careful management enjoys the substantial confidence of their community.

Therefore, the Act should also be amended to state specifically the conditions under which State banks shall be admitted to membership.

Third.—The Act provides that State banks joining the system must have a capital sufficient to enable them to become National banks in the town where they are situated. No such restriction was placed upon National banks. They were compelled to join immediately, irrespective of their capital and the fact that the town in which they were located might have

grown to many times its size since such bank was organized.

Therefore, in all fairness the Act should be amended to permit State banks to join the system under the existing capital requirements of their respective states.

Fourth.—The Act provides that Postal Savings funds shall only be deposited in banks which are members of the system. The strongest argument used by the Government in securing the passage of the Postal Savings Act was that the banks would suffer no injury thereby because the Government would immediately redeposit all but a small percentage of funds received by the Postal Savings Banks with any solvent bank which deposited the required bonds as security. Relying upon this, many State banks have bought of such bonds in excess of present requirements, and will now find themselves deprived of the deposits they had counted upon besides having a large portion of their funds tied up in non-liquid securities. On the other hand, the Government has placed itself in the position of repudiating its agreement.

The Act should therefore be amended immediately to permit the deposit of Postal Savings funds with all properly qualified solvent banks whether members of the system or not.

SUGGESTED AMENDMENTS RELATIVE TO STOCK SAVINGS BANKS.

In addition to those mentioned above, let us now consider amendments which also seem especially desirable from the standpoint of stock savings banks, and the restrictions upon loans of State banks which become members of the Federal Reserve System immediately attract attention.

Stock savings banks as a rule pay interest upon practically the entire amount of their deposits, and their loans are largely of the secured kind made with the especial purpose of developing the commercial and real estate interests of each local community. To restrict these loans in accordance with the National Bank Act would be to retard the development of many growing communities throughout the country. It would seem then that there is no good reason why this class of loan which is amply secured and made in accordance with the laws of any State should be further restricted, but that said restrictions should be applied merely to the unsecured loans which would be those used in actual transactions with the Federal Reserve Bank. Therefore an amendment to the Act which would accomplish the above would be desirable.

Probably the most important amendment which must be adopted before stock savings banks enter the system would be one relating to real estate loans. The National Bank Act prohibits loans upon real estate, but under the Reserve Act National banks, if not in a Central Reserve City, may make loans maturing in not to exceed five years on farm lands within their district, at not to exceed 50 per cent. of value of property, up to an aggregate of 25 per cent. of capital and surplus or to one-third of time deposits, which are the only conditions under which member banks may make real estate mortgage loans. It is largely through the ability of savings banks to make real estate loans under proper supervision that our

cities and towns owe their growth and the ever increasing number of home owners. Banks located in cities have little call for farm loans and in order to make such loans would be obliged to ignore local demands which the community has every reason to expect will be taken care of first. Assuming that in cities of moderate size real estate values are as staple as in farm districts, there seems no good reason why member banks should not be permitted to loan upon real estate in the city where they are situated.

Therefore an amendment is in order which will permit member banks situated in cities of say 100,000 population or less to make loans on real estate located in the same city to the same extent permitted upon farm lands.

Another amendment which would commend itself because of its equity might change the method of holding reserves. The Act now provides that after three years the entire amount of reserve must be kept either in the Federal Reserve Bank or in a bank's own vaults. No interest is to be paid upon such reserve, whereas under the old law a bank might keep its reserve with approved reserve agents from whom some interest was received even though the rate was small. It would seem, therefore, that without seriously impairing the resources of the Reserve Banks or availability of reserve, the Act might be so amended as to permit of at least a portion of reserve to be deposited with approved agents as heretofore. The interest received from such agents would in a small measure offset the loss of interest upon the entire amount of reserve as well as the amount invested in capital stock of Reserve Bank the full earning power of which may be slow in developing.

SUGGESTED AMENDMENT RELATIVE TO MUTUAL SAVINGS BANKS.

Mutual savings banks have almost unanimously taken the position that the Federal Reserve System could hold no possible interest for them owing to the fact that they have no capital stock and transact absolutely nothing in the nature of a commercial business. However, it is possible that the Federal Reserve System could be made of still greater value to its members by extending its privileges to mutual savings banks under certain conditions.

Mutual savings banks carry very little actual cash in their vaults. In New York State the aggregate amount so carried is less than one per cent. of deposits, which amount to \$1,800,000,000 and the aggregate amount deposited with other banks is less than six per cent. If for any reason confidence is shaken and heavy withdrawals begin, the mutual savings banks immediately make heavy demands upon their depository banks, and if those resources become exhausted securities must be hypothecated or sold at a sacrifice. If in the meantime the banks post their sixty-day notice requirement, in many instances the uneasiness of the people is but aggravated.

If the public knew that the Federal Reserve Banks could extend aid directly to mutual savings banks in time of stress, the position of these banks in the confidence of the public would be rendered practically impregnable. Besides this, such aid would relieve the depository banks of an abnormal demand in times when everybody wants money, and would leave said banks free to exercise their membership

in the Reserve Bank entirely for the benefit of the commercial world. Also such aid would obviate the necessity of mutual savings banks sacrificing their securities under any conditions.

Therefore, an amendment to the Federal Reserve Act, which would of necessity have to be facilitated by the passage of corresponding State laws, would be desirable; said amendment to provide for some basis for membership of mutual savings banks in the Federal Reserve System, in return for which these banks would be permitted to pledge their securities of a certain class with the Reserve Bank for loans, the proceeds of which to be used only to meet unusual demands of depositors and to be restricted as to maturity.

THE NATURAL CONCLUSION.

From this brief discussion of the problem it is apparent that savings banks and other State banks will probably not enter the Federal Reserve System in any considerable numbers unless the Act is amended so as to permit them to exercise practically all of the functions permitted under their respective State laws, and the position of these banks seems to be admirably summed up by a prominent Western banker who recently said:

"Why restrict or interfere with the functions or privileges of State bank members of the Federal Reserve Bank, if upon examination such State banks are transacting a legal business, have an unimpaired capital and surplus, are solvent, have paid to the reserve bank the proper capital, maintain the required reserve deposit, rediscount the proper kind of commercial paper, and otherwise transact business with the reserve banks according to the terms of the Act?

"If any excess commercial loan is made by a State bank, it would, of course, be unavailable for rediscounting purposes, but the loan would not necessarily be bad as an asset of the bank because excessive under the National Bank Act.

"Would it not add great strength and efficiency to the Federal Reserve banks if many or practically all the great trust and savings banks of the country would pay in capital stock and carry the required reserve, with their limited rediscounting ability, as on the whole a small per cent. of their loans are commercial."

A POSSIBLE SOLUTION.

Now it is perfectly obvious that in the Federal Reserve System no one class of banks will ever consent to the granting of special privileges to another class of banks in addition to those already enjoyed by them. Therefore, National banks will never consent to State banks becoming members of the system and at the same time continuing the exercise of all of the privileges they enjoy under their State laws. It is also practically certain that State banks will not enter the system unless permitted to exercise those privileges.

It would seem then that a solution of the matter would be found in granting to National banks all privileges of State banks subject to the laws of the respective states in which each National bank is located, under supervision of the Federal Reserve Board. This at first might meet with opposition upon the part of State banks, but under this proposal National banks would not be compelled to exercise State functions, and not being equipped to do so by nature or training undoubtedly in very few instances would

attempt to do so, but would continue to care for the strictly commercial interests of their community as usual. However, the fact that National banks might exercise State functions under the same conditions as State banks and that State banks might come into the Federal Reserve System without forfeiting any privilege now enjoyed, might remove the objections upon both sides and do much toward providing a unified banking system without changing the course of business of either banks or public, and which will always follow certain channels irrespective of legislation.

COMMERCIAL STATE BANKS AND THE FEDERAL RESERVE ACT.

Henry Billman.

Cashier of the North Side Bank of Brooklyn N. Y.

For fifty years the bankers of the United States have been operating side by side under two great banking systems, one the National Banking System and the other the system as defined in the aggregate by those bankers operating under laws of the States.

Under these supervisions, of three-thirds of the banks as a whole, one-third are National banks, and two-thirds are State banks, trust companies and saving institutions with total deposits divided about equally between National banks and State institutions.

Both systems when viewed in a broad light, and considering the very rapid development and the great economic development of this country have been eminently successful.

The Federal Reserve Act, a law enacted to establish a means for the centralizing and better conservation of reserves, among many other things that it provides, compelled the National banks to enter the Federal Reserve System, but left it to the option of State institutions whether they should join or not. The National banks had no alternative except liquidation.

The following conditions and suggestions are some that will have to be acted upon before the plan becomes sufficiently attractive to secure the serious consideration of State institutions:

First.—(An overwhelming majority) prefer to await the outcome of the workings of the new system. Then again State banks are not inclined to hurry to join the Federal Reserve System because they enjoy the privileges of re-discount with their reserve agents now, and while the Federal bank will not discount the paper of a non-member bank, there seems to be no objection to a member bank, which is acting as a reserve agent for a non-member bank, substituting paper in its own wallet for the paper of a non-member depositor bank, and re-discounting it.

Second.—If State institutions do enter the system, of what profit is it to them (State banks)?

Third.—If State institutions enter the system, how can they sever their association with it if they do not choose to stay?

We will not discuss the first. The world is filled with waiters. The second—subscribing for the stock, etc. If stock is subscribed for, the Federal Reserve Bank will pay upon it dividends that have been earned up to six per cent.

A.—Profits cannot be made and dividends paid except financial and mercantile conditions warrant the re-discount of paper, or except the Federal Reserve Bank becomes a direct competitor in its district of the member banks in the purchase of securities or the making of other investments besides the re-discount of paper.

B.—Reserves deposited with the Federal Reserve Bank draw no interest—making for a loss there, to a member bank, of the profit that might accrue if funds were left with other approved depositories, as non-member banks may do.

If no investments are made, no securities purchased, and no paper is re-discounted, because conditions of expansion or stress do not warrant the re-discount of paper by the banks, how are current expenses to be met? Until such time as any of these various kinds of investments are made, so as to produce a return, the expense account must be kept on the resource side of the ledger, and with reference to this thought, when are Federal Reserve Banks insolvent? As expenses seem to be running against them faster than profits seem to be accruing, the payment of a dividend on their stock seems to be remote.

Then why, as a State banking institution, subscribe for the stock, unless compelled to as have been National banks?

Third.—If a State banking institution is still insisting upon joining the Federal Reserve Organization, it ought to be liquidated, reorganized as a National bank and enter as a National bank (the stock of the Federal Reserve Bank is a fixed investment; it cannot be sold, or pledged as security for a debt), because if the bank then decides to discontinue its relations with the Federal Reserve Bank, it might again enter the State banking fold; but having entered as a State bank, it would be compelled to liquidate and in reorganizing, probably could not reorganize under the old title; and if any bank severs its association with the Federal Reserve Bank, what becomes of its investment in Federal Reserve Bank stock listed among its assets? No provision seems to have been made for its sale, through what process is the return of the funds so invested made?

In conclusion, no National bank is permitted to have domestic branches. Will State banks having branches and joining the Federal Reserve Bank, be permitted to retain and maintain them?

In the matter of examinations—National banks have to respond to a call for a report of their condition at least five times per annum and at least two examinations by the department are made each year. State banks have four calls for a report made upon them and are subjected to two examinations by the Banking Department in this State (New York).

What arrangement will be made between the Federal Reserve Bank and the State organizations? Will one accept the examination of the other or will a State bank joining the system be required to make a total number of reports and be subjected to examinations by both systems? Some adjustment in the requirements seems necessary to be made here.

If after all, this act provides for a reservoir from which to draw upon in the event of a conflagration, how can a bank expect to receive a return upon its investment? One never had a water service without

paying for it. The use of your water is either taxed or metered. The organization distributing the water scientifically with proper training and experience must be paid, and if joining the Federal Reserve Bank is to be considered in the light of insurance, no policy was ever written without a premium exacted and paid. Therefore, is it entirely proper to receive no return upon reserves deposited and expect but little return upon your stock investment?

If the new system and order of things meets with the habits, the customs and the changing political thought of the people, it will be successful. In the meantime it behoves State banks to remain neutral.

TRUST COMPANIES AND THE FEDERAL RESERVE ACT.

F. W. Ellsworth.

Guaranty Trust Company, New York.

The fact that with very few exceptions none of the 2,000 or more trust companies of the United States has applied for membership in the Federal Reserve System is significant and conclusive evidence that these institutions are not yet attracted by the provisions of the Federal Reserve Act. Manifestly, therefore, if trust companies are to be induced to join, it would appear that some amendments will be necessary.

Now, what is there in the Federal Reserve Act to which trust companies take exception? And what feature or features are there which, if incorporated in the new law, would meet with their practical approval?

I believe that I am safe in saying that most of these institutions would much prefer to become members of the system if they could do so without unnecessary sacrifice, rather than seem to antagonize the new plan by remaining outside.

Suppose we consider, then, first, those features which are objectionable; and second, such additional provisions as, from the standpoint of the trust companies, will improve the Act.

1. Section 25 provides that "Any national banking association possessing a capital and surplus of \$1,000,000.00 or more may file application with the Federal Reserve Board, upon such conditions and under such regulations as may be prescribed by the said board, for the purpose of securing authority to establish branches in foreign countries or dependencies of the United States, for the furtherance of the foreign commerce of the United States, and to act, if required to do so, as fiscal agents of the United States."

Apparently this section would bar trust companies from the privilege of establishing foreign branches, unless such trust companies are converted into National banks. To do this they would have to give up some of the functions which they are permitted to perform as trust companies. In New York State, for instance, by giving up its State charter and becoming a National bank, a trust company would be compelled to relinquish its right to accept domestic bills of exchange—an acknowledged source of profit.

It would be my suggestion that Section 25, in order to correct this discrimination against trust companies, should be amended to read as follows: "Any

member bank possessing a capital and surplus of \$1,000,000.00 or more may file application, etc., thus substituting the words "member bank" for "National banking association."

2. Section 9, paragraph 3, provides that "Any bank incorporated by special law of any State . . . becoming a member of the Federal Reserve Bank . . . shall . . . be required to conform to the provisions of law imposed on the National banks respecting the limitation of liability, etc."

It is very clear that this feature would prevent State banks and trust companies from exercising some of the powers given them by their states.

In the same paragraph it goes on to say that such banks shall also "Be required to conform . . . to such rules and regulations as the Federal Reserve Board may, in pursuance thereof, prescribe." It seems that this is so beautifully indefinite that no banking institution organized under State laws could be sure, in advance, as to just what its powers were to be. In their present condition as State institutions they are reasonably sure that they will be permitted to exercise the powers given them by their respective charters.

In this connection I would suggest that this paragraph be amended to read as follows:

"Any bank becoming a member of the Federal Reserve Bank under the provisions of this section, shall, in addition to the regulations and restrictions hereinbefore provided, be required to conform to the provisions of law imposed on the National banks respecting the limitation of liability, etc., etc., and to such rules and regulations as the Federal Reserve Bank may, in pursuance thereof prescribe, provided, however, that nothing herein shall in any way limit or restrict such bank from exercising the powers and functions which it exercised as a State institution."

3. Section 24 states that "Any National banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land, etc."

This section discriminates against trust companies in favor of National banks, and such trust companies as are now empowered to loan money on farm lands would have to give up that privilege upon becoming a member of a Federal Reserve bank.

I would amend Section 24 by striking out the words "National banking association" and substituting the words "member bank."

4. Section 9 provides the method enabling banks incorporated under State laws to become member banks, but a careful study of the entire law fails to locate any provision enabling such an institution to withdraw from the system should it be deemed feasible.

I would suggest an amendment covering this point as follows:

"Any bank incorporated by special law of any State or organized under the general laws of any State or of the United States, having previously joined a Federal Reserve Bank, may, under such rules and regulations as shall be prescribed by the Federal Reserve Board, withdraw from the Federal Reserve Bank."

5. Section 13, paragraph 5, provides that "Any member bank may accept drafts or bills of exchange drawn upon it and growing out of transactions in-

volving the importation or exportation of goods, etc."

This provides for the acceptance of foreign bills, but there is no provision for the acceptance of domestic bills. I am told that an amendment is under consideration covering this point.

In order to make this paper complete, however, I would suggest the following amendment:

"Any member bank may accept drafts or bills of exchange drawn upon it and growing out of domestic transactions in goods, having not more than six months' sight to run."

The New York State Banking Law gives State banks and trust companies this power and does not limit the amount of such acceptances.

6. Section 24, paragraph 1, states that "Any National banking association not situated in a central reserve city . . . may continue hereafter as heretofore to receive time deposits and to pay interest on the same."

Here again is what it seems to me to be inexcusable discrimination against such State banks and trust companies as may decide to join a Federal Reserve Bank. I would suggest that this section be amended by striking out the words "National banking association" and substituting "member bank."

THE CASE OF THE NATIONAL BANKS.

O. Howard Wolfe.

Secretary Clearing House Section American Bankers Association.

Whatever may have been the shortcomings of the National Bank Act, it is pretty generally agreed that the financial progress of this country during the past fifty years has been due largely to the reforms instituted by that Act. The financial history of the United States prior to 1865 demonstrated the impracticability of State banking as a National currency system. That State banks and banking systems have improved vastly since the Civil War is not to be denied, and it is equally true that most of that improvement came about as the result of the standard set by the National Bank Act. The National banks have borne the brunt of every attack; they have been the backbone that has resisted the pressure put upon our currency system from time to time; they have formed the nucleus of every clearing house association in the country which organizations, up to the present time, have stood in the breach whenever danger threatened and supplied the deficiencies of the National Bank Act. Yet during all this time, the National bank has competed at a distinct disadvantage with its neighbor, the State bank. How is it then that the National bank has prospered in the face of this competition? Chiefly because of two facts: First, the prestige of doing business under Government supervision and under a National charter; and second, because of the exclusive power to exercise the function of note issue. Since both these advantages are in effect lost by the operation of the Federal Reserve Act, what is to become of our National banks? After five years, let us say, why should there be any National bank? The problem is a political one as well as one of economics.

In discussing it we must not forget that it is a question of public welfare first and a matter of particular interest to bankers afterward. The banker

should be, and is, a patriotic citizen. Prior to, and since, the Federal Reserve Act became law, he has shown his willingness to accept his duty to the State, but the business in which he is engaged is governed by economic laws over which he has no control, and not by patriotic principles. Patriotism is of little avail in a bankrupt and financially discredited nation.

A banking measure contemplates providing banking facilities for all people, not for a few not otherwise provided for, nor for any particular group or class of favored citizens. We have different kinds of banking because we have different kinds of people and a variety of agricultural, commercial and industrial needs. But why should we have four different kinds of banks, or rather why do we not have uniformly chartered banks that can meet these different kinds of banking needs whether commercial, savings or investment? In short, if it has been shown to be a sound policy to have a National charter affecting the commercial bank on one corner, why not a National charter for the savings bank and the trust company on the other two corners, not to mention the commercial State bank across the street that competes even more than do the first two for identically the same business? Why we have this unfortunate parallel system of banking, study of American financial history will disclose and we need not here discuss it. It is due to our political and constitutional theories of government and not to any banking need peculiar to us.

Our question is, then, can the Federal Reserve Act which promises to correct most of the economic faults in our banking and business methods, be so amended as to correct the political faults as well? Political flaws require political remedies so that even after we have decided, as bankers, wherein changes in the Act are warranted and necessary, the hardest part of the work remains to be done, to convince our lawmakers. With this latter task we are not here concerned. It is our purpose rather to show why and how the Act should be amended before it can be effective.

The Federal Reserve Act, like all other commercial laws, is a system of rules and regulations that governs men in their banking relations with each other. It seeks to prevent injustices, inequalities and abuse of power in general and to guard against unsound, unwise or dangerous tendencies among and between banks and business men. It is a self-evident fact that neither banking methods nor business habits can be permanently reformed or regulated even where such regulation has been shown to be necessary so long as either the bank or the business man can escape the provisions of the Act under more favorable State laws. It follows, therefore, that the future of the Federal Reserve Act, or of any other measure that may be substituted for it, depends upon the acceptance of its rulings by all banks—unless certain kinds of business can be by law limited to those institutions which are members of the system. At the present time every kind of business done by member banks can be done by non-member banks, with the exception of note issue which the National Bank Act limited to certain kinds of banks. It would appear that the same policy of limitation will again be found necessary if the Federal Reserve Act is to prove effective.

The provisions of the Reserve Act are wisely

sympathetic and propitiatory toward the State banks, which unfortunately is not the attitude that was adopted with respect to the National banks. It would be a wise plan, therefore, to amend the act from the viewpoint of the National bank, having in mind the fact that to live, they must be able to compete with the more favored State institutions. The proper course to pursue, it would seem, is not to seek to placate the State banks, to cater to them, to flatter and coax them into the system, there to hold them so lightly that at the first murmur of discontent they would be free to sever their connection and resume business as before; the logical thing to do is to make it more attractive to be a National bank than a State bank. The terms "national" and "state" are here used in their broad sense as indicating the source of the bank's charter.

To accomplish this end, one of two policies might be adopted. First, to give National banks every power and privilege enjoyed by their competitors in the same states, and second, to give to National banks new privileges not now enjoyed by State banks. For example, if we should allow National banks, through a proper segregation of assets to take over the functions of the proposed Land Banks, our real estate mortgage business would be revolutionized, and the present day real estate loan would be a decidedly inferior investment as compared with the proposed mortgage bonds. Another suggestion is that National banks should be allowed to establish branches with certain limits. For instance, give to any National or member bank having minimum capital of \$100,000 the right to establish branch offices in any town not more than 25 miles distant and having a population of not more than 3,000, provided there is not already a National or member bank in that town. This amendment would cut both ways; it would offer an opportunity for business extension and profit not enjoyed by non-members and it would have a tendency to bring into the system many non-member banks in the smaller towns where competition would be unwelcome.

It is freely admitted that the Federal Reserve Act may be safely amended in certain particulars for the purpose of inducing State banks to become members, but the system should be attractive to all banks.

In order that any system of banking may be successful, it is necessary that the banking units operating under that system must be solvent, that is: their solvency must be assured. Banks can be successful in business to the extent that they are sound and they can be sound only if they are prosperous. Therefore, the provisions that make the Federal Reserve Act economically sound are no more important than the provisions that make it attractive. But the Federal Reserve Act is not law so long as it affects only such as are willing to be affected by it. Banks should be free to install or reject any system of bank accounting they see fit or to specialize in any particular line of banking, but it is not proper that they should be able to exempt themselves from the law of the land.

GENERAL DISCUSSION.

The first speaker in the open discussion sought to show the flaws in one or two statements made in the second paper, pointing out the fact that since these ar-

gements have been pretty generally advanced by State bankers, they were worthy of some consideration as to their soundness. First, in answer to the objection that the investment in the capital stock of the reserve banks might yield no returns, the suggestion was advanced that it is not to be expected that the Federal Reserve Banks should immediately begin to "make money" in the ordinary sense. Much of their business will need to be developed as conditions change. At the present time, owing to the general depression in business, there is not the need for rediscounting and other services for which the banks were organized. In short, this is a "lean year" from the reserve banks' viewpoint which will be more than made up by a period of advantageous conditions. In any event, the reserve banks will need to invest but a relatively small part of their assets at a low rate in order to insure a satisfactory return that will enable them to meet all expenses, including the dividend. Banks would find it difficult to organize if the prospective stockholders should insist that the first six months of business must guarantee a return of 6 per cent. on the stock investment.

Attention was called to the fact that the Act provides for the return of capital investment if a member bank withdraws or liquidates. It is also provided that State bank examinations may be accepted in place of the National examinations.

Another point brought out was the fact that certain inevitable pressure is bound to be brought upon non-member banks to join the system even if the Act is not amended. Among the few banks on which such pressure is already beginning to be felt are those interested in commercial paper discounted by Federal Reserve Banks. Again, other banks are put on the defensive, so to speak, by National banks which have gone into farm loans and other investments, formerly the exclusive business of State banks; also those banks which have been holding deposits for the banks which have become members, which deposits they would be more apt to lose unless they themselves joined.

A stenographic record was made of the general discussion from which we may quote.

Mr. Philpot, of Lazard Freres: "I would like to make a suggestion to you which I believe would be of value to trust companies. It will be remembered that during the panic of 1907 the trust companies formed a committee for the purpose of raising a fund of \$27,000,000 to help a number of their sister companies past a great crisis. It seems to me that if an amendment could be incorporated in the Federal Reserve Act by which it would be possible for trust companies, under the severest contingent condition, to discount their collateral notes with the Federal Reserve Banks, it would not only forestall any repetition of 1907, but it would act as an inducement for all trust companies to speedily join the ranks of member banks."

Mr. Mershon, U. S. Mortgage and Trust Company: "The three things that seem to be in the mind of the special committee that went to Washington early in December were about the rules and regulations which might be promulgated by the Board now; that some future board would come along and overthrow them or make some ruling that would nullify them. The discussion here tonight would seem to center around the thought, as I gather it, of having the Act amended

so that it would take out of the power of the present or any future Federal Reserve Board the privilege of making rules and regulations which might defeat the object or the business of a State bank that went in at some future date.

"Another thing that seemed to be in the minds of the committee that went to Washington was that they could get into the system, but could not get out.

"There was just one other statement made here tonight to which I would like to refer. One gentleman said in his paper that one-half of the banking power of the United States is invested in National banks and one-half in State banks. That should be corrected as follows:

National banks	\$11,400,000,000
Trust companies	6,000,000,000
Balance	26,000,000,000

Mr. McWilliam: "The committee which appeared in Washington was composed entirely of trust company people, and their viewpoint and the viewpoint which you have expressed is typically a trust company one. To some of us who have been in little closer touch with some of the men in the humbler walks of life than the trust companies mingle with, there appears to be a very decided advertising value in the fact that a bank is in some way connected with the National Government. The ordinary mortals that you meet in the street do not stop to analyze why they have faith in the government. They don't stop to think that we have an efficient Banking Department in New York State. One of the reasons given by a lady who participated in the run on the Fourth Avenue Savings Bank was that she understood that that was the only savings bank not under Federal supervision. Let us get outside of New York State, outside of New York City in a small town. The fact that the bank on this corner could advertise "member of Federal Reserve System" and that the bank on that corner did not have that privilege, would, I venture to say, very largely influence all the people of that community."

Mr. Kennedy, Century Bank: "In following Mr. Wolfe's talk in regard to the State banks coming under the Federal Reserve System, it would seem to me that any law which would diversify between the privileges of one class of members and another class of members operating under Government supervision would be to my mind rather a bad law. It does not seem to me that a diversity of privilege could consistently be made.

"There is another aspect to the Federal Reserve System which I have heard discussed tonight—that is, the political aspect. It has been stated very often, to my knowledge, that the Federal Reserve System may be successful or not as that the political thought of the people may change. That is, among the uninitiated, a very common question, and one which I think it would be well to press, so that we might determine how weighty it may be.

"Might I also follow the line of thought in the matter of real estate loans. The suggestion has been made that the Act should be amended to permit members to loan on city property as well as on farms. It seems to me that in cities of 100,000 population, or less, the value of property may very greatly change in five years. There are so many things that go to make

up the value of real estate in towns of that size or of smaller size in contradistinction to farm loans. Farm property is always of a stable value as long as its production is good, but the value of a piece of real estate in a city or in a town fluctuates as the improvements may draw near or depart from it, and such improvements may readily come to it in the course of five years."

Mr. McWilliam: "Regarding the matter of real estate loans. Perhaps by limiting the entire business would it not be possible to prohibit such loans in cities of half a million or cities like New York, but to permit them in towns of 50,000 or less. My idea was that some basis might be gotten at by which city banks might take care of their local requirements."

Mr. Wolfe: "The only way you can bring the State laws into uniformity with the Federal Reserve Act is either to allow the State banks to do only the things permitted the National banks, or else to allow National banks to do all the things that State banks do. In all the arguments that have been advanced here, the trend of thought shown by the speakers has been that the State bank is the bank to be taken care of. The question arises, what is to become of the National bank? Why should not the president of a National bank recommend to his Board of Directors that they stand a loss on Government bonds and liquidate into a State bank? With that staring us in the face we are going right straight back to 1863 when we had nothing but State banks. It won't do for us to go back fifty years by encouraging the National banks to give up their charters. Those are the banks that have stood in the breach every time there has been any danger that threatens."

Mr. Mershon: "We will assume that I have \$10,000 and I have the opportunity of investing that money, together with \$5,000 more. In other words, I can get a block of securities for \$15,000. I go to the bank and get a loan of \$5,000. That is a permanent investment for me. The securities in which I have invested the money represented perhaps some sort of

public enterprise, possibly municipal bonds. The loan of \$5,000 which I secured at the bank is perfectly good. They could take that and rediscount it. That loan is just as good as a commercial loan with the bank and there are any number of such loans by which the trust company is assisting depositors or customers to assist public enterprise. Nothing wrong in the transaction; it is all right all the way through, but simply because it has a permanent flavor it is taboo. Why is it wrong?"

Mr. Wolfe: "I would refer you to the panics of 1857, 1873, and 1893. Analyze them. You will find that everyone of them, almost without exception, was caused by just that thing you mention—speculation. As soon as you begin to put the liquid funds of the banking capital of the country into speculative ventures you are in a dangerous position. That is an economic truth. Your bank loans should always be invested, or a great proportion of them should always be invested in self-liquidating loans. These loans that are made to cover the period between seed time and harvest, between raw material and finished products. There are three ways of investing capital. We might say that they correspond in a way to three different kinds of matter: water, oil and molasses. We have the bank deposit, which is a very fluid kind of capital. Then there is the second kind of money, which is represented by investments such as trust companies make, long term bonds, etc. Then there is the third kind of capital stock—fixed investments. No banks have a right to buy a partnership in a concern. You may not be successful in getting your money back. Bear this in mind. The Act does not state that trust companies cannot make these investment loans. If it wants to take advantage of the rediscount privilege, it must have some loans that may be used as the basis of note issue. To prevent inflation you have got to limit that; your notes must represent actual existing values. As soon as you issue bank notes on investment paper you will encourage speculation. It narrows down to a discussion of certain economic laws which cannot be controlled by man made laws."



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BROADENING INFLUENCE.

Somers Bailey, a Correspondence Chapter student at Roanoke, Va., writes: "After having carefully studied "Wealth and Banking," I have attempted to answer the questions in back of pamphlet. My knowledge of banking has been greatly broadened by the study of this course."

Bryan Urges American Bankers to Get into Practical Politics

Sage Advice from the Secretary of State Mixed with a Characteristic Roast that Makes Interesting Reading—Speech at the Banquet of Washington Chapter of the American Institute of Banking.

I feel a little embarrassed in speaking before an audience of this kind. I feel like a poor boy at a frolic, as one present without the wedding garment on; for I am not only not a banker, but I have not even had the high esteem of the banking fraternity. I suppose the bankers wronged their depositors more to prevent my election than they ever did in any other way. I say they wronged their depositors, for they did what would now be a criminal act if they dared to do it. They took money that did not belong to them and used it to advance their political opinions. They cannot do it to-day. Not only do I belong to the crowd that has been so universally condemned by bankers, but I am one of the worst of the crowd, for if there ever was a demagogue in the United States, according to the banker, you have got him here to-night.

I suppose no part of the community has ever been more convinced that I was a dangerous character than the banking fraternity; and yet I have lived to see the day when men of my kind have done, in spite of the bankers, the best thing that was ever done for the bankers in this country. I have lived to see the time when an American Congress, and a President who was not afraid of bankers, compelled a change in the financial system that set free the bankers who did not dare to help the President and Congress to do the work.

You think this is strange talk. I use it for a purpose. One of the gentlemen here to-night [Col. John F. Bruton, of Wilson, N. C.] has spoken of the larger vision, and has invited you to entertain that larger thought. I was glad to hear it from a banker. It comes better from a banker than from me, but it would not have come from a banker two years ago; for even down in Wilson, N. C., the power of Wall Street could be felt, and the smallest banker in the country was at that time under dread suppression, because there was but one center to which you could go in time of need. And it was not the banking fraternity that freed the country. When the bill was under consideration, the banking organizations met and condemned the attempt to take the power from Wall Street that had been used not only to dominate the business of the country, but to determine the politics of the country. For there has not been a time in twenty years when one hundred men in New York could not, in the last two weeks of the campaign, control enough votes to determine the election, and they never hesitated to use the power that they had.

Gentlemen who can speak as experts on this sub-

ject have told you what this law has done. But one thing that it has done that is not least important is that it has broken the political bondage in which this country was held, as well as overthrown the business despotism under which our nation lived. I am glad to be here to-night, because I am glad to speak to men who can now think and who need not fear the lash that has been held over them. And I call your attention to it in order to emphasize this fact, that no man is a good judge where he has a financial bias that clouds his vision. And if you had not had a President, and a Senate, and a House with a majority free from financial bias, you could not have had this monumental piece of legislation that is not only to bring blessings to our country, but is to bring blessings to the world through our country. For the distinguished Senator (Mr. Owen) will not go further than I do in calculating the far-reaching influence of this great financial measure.

But, my friends, I am not here to speak on banking. I was warned in advance that all the rest of them would talk on that subject, and I was asked to find something else; and so I found something else, and my subject is "Temptation."

You will pardon me if I begin to exercise the right that comes with age. When I entered into politics they called me young; but that charge has long since ceased to be made. I have outgrown it, and with the burdens that age brings I claim its advantages, and one of the greatest advantages that comes with age is the privilege of giving advice. And I feel that here is a place where advice can be given. I am going to lay aside those questions so ably dealt with by the speakers who have preceded me, and say a word especially to these younger men.

Young men, you are engaged in one of the greatest businesses that the world now knows. The banking business is not only a great business, but it grows greater every day. You are engaged in a respectable business, and one that can be made more respectable than it now is, and I bid you help to increase the respectability of your business. Every business that has advantages has disadvantages. Every occupation has its two sides, and the greater the benefits we derive, the greater are the dangers which we incur. It is one of God's laws, the law of compensation. When I was but a schoolboy I remember reading an essay by Emerson on "Compensation." The ideas set forth in that essay clung to my memory, and I frequently had occasion to use them. One of the best remembered occasions was at the White House. I came back from South America, and passing through Washington called on President Taft. In greeting me he said, "I understand you are just back from South America?" I said, "Yes." He said, "I envy you. I have been wanting for years to visit South America." I said, "Mr. President, did you ever read Emerson's essay on 'Compensation'?" He said, "Yes, and I was very much impressed by it."

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I said, "Here is an illustration. You were elected President, but I had a chance to visit South America"; and I might have told him that I had had three opportunities for travel.

Now you have these great advantages that come with a great business, but you have certain temptations that you must fortify yourselves against. And if I compliment you upon the splendid opportunities that open before you, may I not warn you against the dangers that beset your path?

The first one is living beyond your means. No men are more tempted to do this than those in the banking business. Why? In the first place, the salary of the bank clerk is small, and the bank clerk moves in the best society; and to know other citizens, to know other young men who move in the best society, brings the temptation very strongly to keep up appearances. And then no other person can so easily add to his income without it being known; and when you put before a man a great temptation, a social pressure, and then put the money within his reach that he can take, not intending, of course, to keep it, but with the intention of paying it back, you need to warn him against yielding to the temptation. I warn you, young men, remember that the man who lives beyond his means lives a lie. Actions speak louder than words, and therefore a man can lie more vociferously by his actions than he can by word of mouth. Remember that you deceive nobody, and remember that it is dishonest for a man to try to deceive anybody. If the banking business is what it ought to be, there ought to be a sense of honor and an idea of integrity that will be shown in the life. Let me urge you, young men, to form the habit of living within your means, no matter how small your income may be. By doing so you not only lay the foundation for a larger income and therefore a more extended enjoyment, but you will enjoy your later prosperity the more as you look back to the time when you were passing through the narrows.

The second thing against which I warn you is speculation. Read the number of suicides that are recorded, where a banker has been led to take money that did not belong to him in order to speculate when it just seemed certain, and then having lost he tried to win it back and lost again, and finally he was exposed, and his honor being gone, he saw nothing left in life worth living for. I have tried to secure legislation that would fortify the young man. I am not willing to wait until a man's embezzlement is found out. I am not willing to wait until his gambling has led him into crime. I want to stop it before it becomes a crime. And if I had my way about it, there would be a law in every State and in this nation making it a criminal offense for any man connected with a bank to speculate upon the stock market or the Board of Trade. A man who works in a powder house has no right to carry matches, and the community has a right to prescribe by law the things that can or cannot be done by those who occupy positions of trust. And it is in the interest of young men, not against them, that the law should be passed that would put up a warning in every bank that no officer or clerk or employee should acquire a habit that would lead him into these temptations which become irresistible if the mania for specula-

tion takes possession of one. That is the second thing against which I would warn you.

Then may I assume that you have passed by the temptations that come to live beyond your means, that you have resisted the temptations that come to speculate, and thus have an incentive to use other people's money.

Let me tell you that one of the dangers of your business is that it may make you hard-hearted. The very man who needs money most is the man to whom you cannot loan; for the fact that he needs it most is proof that he has not the security that is ordinarily required, or he could have secured the money he needed before he needed it so badly. You are the custodians of other people's money, and you are not at liberty to make unsafe loans. But you see the misery of the world. You see the sore need of the world, and you have to steel yourselves against the pathetic pleas which you hear, and to harden your hearts against the appeals that will touch the heart of any man who does not steel himself. Beware of the spirit that is connected with your business and which it is almost impossible to escape.

Then, too, avoid the spirit of the miser. Never become so engrossed in your business or in the profits that your business may bring as to regard money as an end in itself. Money is a splendid servant. It is a most despotic master.

Sometimes I have had people ask me how much money a man ought to have, and I answer it in this way, that if a man gets his money honestly, I would not place any limit on the amount that he should have, except this limit: As long as he gets his money honestly I would like to see him have as much as he can have while the money belongs to him; but when he has so much that he belongs to the money, he has more than any man ought to have. No man should desire to be the slave of his possessions. Beware of the spirit of the miser, and remember that unless you give, unless in proportion as you grow in wealth you grow in liberality, unless as your possessions enlarge your heart reaches out and attaches itself to things unselfish, you cannot withstand the influence that the possession of money brings.

Then let me warn you against another temptation, namely, forgetfulness of the interests of the depositor. Is it not strange that any man who makes his money out of depositors should forget them? And yet, my friends, that is one of the failings of the banker, that he comes to regard the bank as the thing, and feels that things should be done for the bank. Remember that it is the depositor who makes your bank a possibility. That is the reason you have a bank, in order that you may have depositors. And why do you want them? That you may use their money. If I am correctly informed, 85 per cent. of the money held by the banks of this country is the money of depositors, and only 15 per cent. is the money of those who own the banks. How can the people who run banks forget the interests, if not the rights, of those who own 85 per cent. of the money upon which they make their profit?

Do you know what I am coming to? Can any of you guess what I have in mind? It is the protection of depositors. Men, I cannot understand the mind of a banker who is willing to allow any doubt

to exist as to the ability of his depositors to get back every dollar that they deposit. I cannot understand the logic of the banker who is unwilling to advocate legislation that will give to his depositors absolute security. Is there any reason why a man should put his money in a bank, except that he can get it out when he wants to? And if the banks are safe now, tell me why it is that you cannot get a dollar of government money without you give special security? If the banks are as good as they ought to be, why is it that you cannot get a dollar of State money without giving specific security? If the banks are as good as they ought to be, why is it that you cannot get the money of a county, a city, a township, or a school district except by putting up specific security? And if banks are so unsafe that every governmental unit requires specific security, why should you make the poor people who deposit their money with you take their chances on a burglar inside of the bank? Why is it, my friends, that you will organize and contribute for protection against burglars from the outside? Is there a bank here that does not belong to some association and pay premiums to protect the bank against the burglar from the outside? Why are you so interested to protect yourselves from the burglars without and so indifferent to the protection you ought to give your depositors against the burglars on the inside? Read the records of our court trials. Visit your penitentiaries, and you will find that there are more burglars inside the banks of this country than there are outside of the banks. More burglary has been committed by the officers and those inside than by those outside. The amount taken by the inside burglars is larger than the amount taken by those on the outside. Tell me, if you can, why it is that you are so willing to be assessed to protect yourselves against one kind of burglary, and not willing to be assessed to protect yourselves against another kind of burglary?

I have had bankers tell me that it would not be fair to make one bank responsible for another bank. You may search my speeches, and you will find that I have never said anything against bankers as bad as bankers say against themselves when they will not trust one another. The banker will not loan to a farmer unless he will get some other farmer to go his security. Yet when the farmer says to the banker, "You get some other banker to go your security," the answer is, "You farmers may trust one another, but we bankers do not." I remind you, young men, that you can go back through the banking history of this country, and I challenge you to find one important act for the protection of the depositors or the community that originated inside of a bank. These things all come from the outside. Why do they not come from the inside?

I ask you, therefore, to withstand the temptation that seems to be so strong to ignore the interests of the depositors. I am sure that when the time comes, as come it will, when we shall have some protection by which every depositor will be secure, some provision by which a deposit in a bank will be as good as a government bond, some provision that will make panics impossible because there will be no runs on banks, when every bank is secure and every depositor certain to get his money—when that time comes, as

come it will, every banker will be happier than the banker is in these times of stress and trial, when there are runs on one bank, and the other banks do not know how soon the run will spread.

And, my friends, will it not be something to be able to look every depositor in the face and know that he will never lose money by depositing it in your bank? What happiness can a banker find in a law that enables him to live in the best house in the town, which he can do under the present law, and after he has paid 100 per cent. in addition to his stock, no matter how much his depositors lose, they cannot attack him unless they can prove that he himself as an officer or as a manager or as an official has been criminally liable under the statute? What happiness can a banker find in a law that enables him to live in the best house in the town while his depositors walk the streets as the results of acts on the inside of the bank for which the depositor was not responsible, but for which the officer of the bank was responsible?

I ask you to remember another thing, to withstand the temptation that seems to come sometimes to a banker to believe that the community is made for the bank, whereas the bank is made for the community. It is a great mistake, a fatal mistake, to get these terms reversed. The bank is the servant of the community, and this new law is framed upon the theory that the bank must live up to its obligation as a servant. Under the old system a bank was not in a position to help the community. For years it got government money, without interest, and loaned it out at what rate it pleased. But that did not help the community. It helped the bank, but it could not help the community in times of stress. Why? Because the bank had to put up bonds to get the money, and to get the bonds it had to give out more money than it could get on the bonds, and therefore it was impossible, under the old system, a system devised by financiers—it was impossible for the bank to help the community. It remained for a President, a Senate and a House not controlled by financiers to give you a system that enables a bank to help the community by enabling it to use its own assets without going outside to get money or to buy bonds. This is what has come from disinterestedness, unselfishness, and putting the public good first.

Let me ask you, then, in this new day—for it is a new day—not to yield to the temptation to separate yourselves from politics. You know some people look down upon the politician. They speak of him as if he was a disturber. They speak of him as if he were a menace to a community. Instead of warning you against politics, I invite you in the name of your country to take an interest in everything that concerns your government. When they attempted to stop robbery in San Francisco, they found that the great financial interests of the city were back of every scheme of graft and plunder; and so it is in every city in this country. There is not a place where you attack municipal corruption but what you find it bulwarked behind the financial institutions of the city. They are the ones who hold the securities and have a pecuniary interest in the success of the graft. You might think that because I have not always been in favor of the bankers, I might want to

get them out of politics. No, my friends, God forbid that I should try to get any man out of politics who lives in a country like ours, where every citizen is a sovereign and where no man dares or cares to wear a crown. My interest has been in bringing every man into politics, and to get him to appreciate the responsibilities of citizenship. And I appeal to you young men not to surrender to this temptation to get out of politics, or to stay out of politics and condemn politicians. I ask you to take an interest in the civic life of the country, in the life of your city, in the life of your State, in the life of your nation, and to have the moral courage to take your chances. Do not be afraid that you will lose depositors. If a man is afraid to do his duty because he may lose a depositor, he is a coward, and he ought not to ask people to respect him in a land like ours. Let the banking fraternity, with all its power and all its influence, have a new birth in this country, with this new law that gives independence; and let every clerk here who expects to make banking his profession resolve that he will never let his private interests interfere with the performance of a public duty. You cannot tell what your influence may do. You simply know this, that if a man stands for that which is right, he inspires others, and he never can tell what he can accomplish until he has measured the influence of a good example upon those about him.

Have I spoken frankly? Why should I not speak frankly? There is nothing that I have to ask of you, but there is something that I ask for my coun-

try.' If any man in this United States owes a duty to his country that ought to be discharged at every opportunity, I think I am the man, for my country has done so much for me that no matter how hard I labor in the days to come I shall never fully discharge the debt I owe; and I know of no place where I can do good just now more than at a meeting like this, where are assembled young men of character, of intelligence and virtue, engaged in a great business that will be greater still. I know of no better service to them or to my country that I can render than to appeal to them to rise to the responsibilities of citizenship; and as a soldier upon the battlefield gives his life for his country, let each one of these men before me be determined that in every question that arises, whether it is in a city, a county, a State or the nation, you will do your duty as you see it, and not stop to ask what the effect is going to be on your business.

Now, my friends, I have said all that I care to say, and possibly more than I ought to have said. I am not sure that what I have said is welcome. But when I was a candidate you did not ask me how it felt to have your opinions visited on me, and I ask not how you feel when I visit my opinions on you. For whether what I say is popular with you or not, I want to tell you that the patriotic people of this country will not only make the banker do his duty, but they will rejoice if, without compulsion, he joins the common people and helps them to solve aright the problems of government.



Need of Education to Meet New Banking Conditions

Colonel Farnsworth Tells Wheeling Chapter of the American Institute of Banking that there is Only One Method of Self-Development and that is to THINK—Different Angles from which the Federal Reserve Act May be Considered.

Wheeling Chapter of the American Institute of Banking, at its February meeting, was privileged to listen to an instructive address by Colonel Frederick E. Farnsworth, General Secretary of the American Bankers Association. Mr. Farnsworth, after alluding to the work of the American Bankers Association and its various activities, the organization of the American Institute of Banking on the recommendation of a special committee at the Richmond Convention of the American Bankers Association held in 1900, and the great success of the Institute achieved—59 chapters and a membership of 14,600—then took up the general subject of Education and the Federal Reserve Act, as follows:

The word "education," as you all know, comes from the Latin word "educere," meaning "to lead out."

The Institute work is, then, the process not of

putting knowledge into a man, but of educating or leading out of every student his inherent capacity for banking.

But to prime the stump, so to speak, to start the rusty mental machinery to working, it is necessary to first absorb knowledge of the means by which banking is carried on, so the study course is an essential preliminary to the leading out process, but it is only that a larger stream of thought than went in may be drawn out and be added to the motive power of American banking.

Not until every banker in the country, whether he has the advantage of Institute training or merely the schooling of experience, has so combined what he learns with what he is, that he is able either to add to, or to use, banking knowledge with banking wisdom, can he consider himself an "educated" banker in the true sense of the term.

The development of that faculty implies more thought than most of us are accustomed to giving to banking functions—too many of which we accept as customs, forgetting that these customs grew out of what somebody else, at some other time, thought about banking.

We only transform the food we eat into energy

by digesting it first, and it is this need for better assimilation of the principles of banking to which I would call your attention as the explanation of the fact that, after centuries of experience, banking is still an imperfect economic organ for the performance of its exchange functions.

American banking has reached some and is approaching other points of departure from accepted methods of doing business which are no longer adapted to changing conditions.

From now on American bankers must depend upon something more than the abundance of the country's natural resources to furnish the munitions of banking. They must begin to depend upon their own ability to provide proper credit environment for the development of the country's resources and the maintenance of its economic importance, instead of depending (as heretofore) on making profits simply by the exchange of other business products.

While the bankers are helping farmers to a better knowledge of the principles of crop cultivation, they must be helping themselves to a knowledge of the principles of credit cultivation; and the best credit school in the country is the American Institute of Banking course in the principles of banking.

The Institute certificate is simply evidence that you are ready to "lead out" your faculties into the banking field. Whether your future furrows are straight or crooked, and whether you raise a crop, depends not on your amount of banking knowledge only, but upon your banking wisdom—and that each man must develop for himself.

There is just one way to do it—THINK.

The Federal Reserve Act.

No period in the banking history of the country surpasses in interest and importance that through which we are now passing.

The adoption of the National Bank Act in 1863—charged as it was with interest at that time—was not comparable, as a banking revolution, to the Federal Reserve Act.

The National Banking Act marked rather the dependence of Government on the banks in a time of national peril; the Federal Reserve Act marks rather the belief that the banks are dependent on the Government at all times.

In the present state of public understanding of banking, it is perhaps a waste of time to argue that the relationship is one of mutual obligations and dependence.

It is the adjudication of this difference which is now making some progress.

No man can yet say what the Federal Reserve Act will be in its final state. Just now it is little more than plastic material; and the molders of it are not at all agreed as to what they desire.

In respect of many things, except parts of the machinery, Congress left the Reserve Act in administrative and executive authority.

What now is the situation?

The emergency created by the opening of the European war last summer called into operation the Aldrich-Vreeland Emergency Currency Act. There was no doubt of the emergency and there was no

dispute as to the utilization of the one legal remedy offered.

Such panic as there was seems to have been confined to Congress. Great haste was made to remove the limit fixed for currency issues; and there were other modifications and amendments which, if justified in the anticipation, were shown, subsequently, to have been wholly unnecessary.

Experience also has shown that the tax on the emergency notes was too low and the speed of redemption therefore too slow. But of the efficacy of the plan to meet even so great an emergency there is no question whatever.

This efficacy has caused many bankers to proclaim that the most extreme requirements of the country would be amply provided against if the Aldrich-Vreeland Act were made permanent. Speed, combined with simplicity of operation, were convincing arguments.

A little study, however, will show that this Act would need great amendment and particularly fine knowledge of conditions if it were always to be effectively employed.

The currency issued against the emergency is still outstanding in considerable sums. Only in larger centers has it been all retired.

Thus is indicated the strong tendency of such currency to stay out, even when there is—as there has now been for some time—a real currency inflation.

While this Act, therefore, is without flaw, so far as it is called upon to meet an emergency is concerned, it detracts from the elasticity of the circulating medium.

If it were not for the continuance of the European war and the timidity which is co-existent, the present inflation might do some real damage. That no damage has been done is due largely to the foresight and the skill with which the bankers have handled the situation.

A defect of the Act which must also be considered is the tremendous power in places in the hands of the Secretary of the Treasury. It would probably be impossible to secure the effective application of such a law in any other way.

Last August the Secretary of the Treasury was very alert and no time was lost in getting the law into action. Much credit is due him and the bankers with whom he counselled for this speed. But, considered in the cold glare of experience, it seems now that there was over-enthusiasm in the issue of this currency; that too much was issued; that there was too much encouragement in its use; and that dependence was placed wholly on the tax against it to bring it in for redemption.

It is obvious, therefore, that the Aldrich-Vreeland Act would have to undergo much amendment before it would be a practical and sound remedy. But it will not be amended.

It may be said, with equal prophetic precision, that the banking scheme of which the Federal Reserve Act is the exemplar will not be repealed.

It may undergo a great variety of changes; its mechanical devices may be altered; the number of Reserve Banks, the form of their organization, and the boundaries of the districts may be changed, but continuous expansion of the supervisory and regu-

latory powers of government over banking is the order of the day.

There are varying ideas as to the extent to which supervision and regulation should be carried. It is there that the development of the new banking system becomes evident.

The powers which are interpreting and applying the laws are not harmonious. There is not even harmony in the Federal Reserve Board. I do not mean by that that there is a quarrel. I mean that the members of the Board are men of different training, association, and experience; and it would be little short of a miracle if they all viewed this law in the same manner.

The situation in Congress was the same; but Congress had an easy way out of it. Whenever it was in doubt as to the desirability of doing a certain thing, that thing was left to the discretion of the Reserve Board.

Most of the time Congress was in doubt. In the course of the bill it had recourse "to the discretion of the Reserve Board" eighty-three times.

Wide Range of Interpretation.

It is very plain, therefore, that the Federal Reserve Board has opportunity for a tremendously wide range of interpretation. Every rule and regulation it has issued has been subjected to a remarkable process of winnowing and refining; and it is not surprising that the many and intricate problems presented have not all been solved.

It is possible at this time to measure with some degree of accuracy the trend of this interpretation. If we could be assured of the Federal Reserve Act, we could tell where it will land.

The one thing certain is that so far as the interpretation has gone, it is not to be construed as an emergency measure. The system is construed to be a banking scheme for daily use; it is not to be held in abeyance or merely to mark time until an emergency calls it into action.

About the only difference between the twelve Reserve Banks and any others is that the former are not operated exclusively for profit. But that there is a disposition to compete with privately owned banks is becoming more and more apparent.

This apparently growing disposition to compete is a manifestation, removed from any view, which considers the banks only as mechanical devices.

The bankers and economists who studied the question of an improved banking system for the country were interested largely in the banking aspects of the situation. They knew the weakness caused by rigid reserve requirements; by inelastic currency; by the absence of an open market for commercial paper; by inability to control gold movements; and by lack of means of co-operation—and they sought remedies for these defects.

They found that the Glass-Owen Bill provided the necessary remedies, although the machinery devised was cumbersome and probably too costly. They were willing to risk machinery in order to attain the other ends. With those who reviewed the reform politically, the machinery was all important and the banking ends were incidental.

Of course, Congressmen talked with more or less fluency about elasticity; about reserves; about the

ebb and flow of gold, and such things; but what immediately interested them were the physical aspects of the plan and the likely effect of its establishment, on political thought generally and that of their constituents particularly.

The number of banks, the number of employees, the quality of the jobs, etc., interested Congressmen much more than any scheme for the retirement of Government bonds.

In demonstration of this assertion it became recently apparent that many Democratic Congressmen thought that they had voted for a Government bank and were greatly disappointed when they discovered that a majority of the Board of Directors of each Reserve Bank was chosen by bankers.

It is needless to say, also, that there was great disappointment among some Congressmen over the discovery that "jobs" in the banks were not to be allotted to the "faithful."

There is another view of the whole situation. It is that of leaders who are interested in the Reserve Act—both as an economic and practical banking device. President Wilson has never failed to speak of the Act as having made "credit free." In several addresses other members of the Administration have made clear their belief that the Reserve Act was a particularly valuable addition to statute law—because it killed the Money Trust or because it deprived Wall Street of the funds long in its control.

The banking act cannot be the same from these three angles. Whichever view is the one of the dominant faction, that is the one that will be reflected in the interpretation. If, for instance, the Act is to be construed that the matter of first importance will be the "freeing of credit," there can be no doubt that the twelve Reserve Banks will have to compete vigorously with the member banks.

There has, as yet, been no intention shown to this end, but there is evidence of preparation for it.

As the bill came from the House of Representatives, there was a provision to the effect "that the Reserve Banks should be the fiscal agents of the Government and that the general fund of the Treasury should be deposited in them."

As the bill was approved in conference, the Secretary of the Treasury retains control absolutely over the general fund, and he may, or may not (as he pleases) appoint these banks fiscal agents of the Government.

What this power of deposit and withdrawal means can only be guessed at. It has not yet been exercised. But there is common agreement that it is too dangerous a weapon to be placed in the hands of any individual.

The Federal Reserve Act interpreted in the light of what Secretary McAdoo considers its true import, would be a radically different Act if interpreted by Mr. Warburg and Mr. Delano, for instance.

There came recently from the Comptroller of the Currency a request that Congress amplify greatly his power of regulation over National banks—perhaps I might better say, National bankers.

We might legitimately conclude from the manner of the Comptroller that he would utilize the Federal Reserve Act not to regulate banking, but to restrict bankers.

The Comptroller is an important member of the Reserve Board. His view of the Act has, therefore, an important bearing.

As to the political view, held largely by members of Congress and the practical politicians, what they think of the Act is important only if they could gather enough of a following to insure its change or amendment.

It is not likely that there will be any change in the Act unless the Federal Reserve Board recommends it. The views of Congress are not, therefore, of particular importance.

The views of the banking fraternity in its entirety, and particularly the views of officers of member banks, are matters of most vital importance in bringing this banking act to some measure of possible perfection.

While the Federal Reserve Board is a powerful organization—and very much depends on its views and the character and the rules and regulations which it issues—the success of the new scheme of banking depends on the bankers.

The control of each Reserve Bank is in its Board of Directors; they conduct the banking operations; they will conduct them according to the established

rules of safe and sound banking, that there be no doubt that any interference with operations conducted in this manner would meet resentment.

It is permissible and probably advisable that bankers have a thorough understanding of the difficulties that may be encountered in the development of this law; but they must understand that the responsibility for its successful operation rests on them, and not on the Federal Reserve Board, on the Treasury Department, or on Congress.

None of these three forces can make an unsafe or unsound law, regulation, or ruling in the fact of united banking opposition without shouldering the consequences and paying the political penalties.

There are defects in the law that will be discovered in its practical application, just as there are defects in all laws which provide for so large a scheme of operation. They will be remedied as occasion demands.

The system is working as well as its "real" friends expected. It will work continuously better if the bankers will realize their responsibility. Banking sentiment and the Federal Advisory Council have enough power to prevent incompetent or mischievous interpretation of the Federal Reserve Act.



INSTITUTE CHAPTERGRAMS

ALBANY.

By Alfred L. Taylor.

The last regular meeting of the Albany Chapter, A. I. B., was held on Thursday, February 18th.

The meeting was well attended and a great deal of interest was shown by the members in the propositions presented for the good of the chapter.

The address of the evening was delivered by Jacob H. Herzog, Vice-President of the National Commercial Bank and also Chairman of the Board of Education of the City of Albany. Mr. Herzog has talked to the members of the chapter before and they have always felt that he was one of them. Our president, Mr. Rockwell, in introducing the speaker, said, "The speaker of the evening is one whom you all know and needs no introduction from me. We will now hear from our old friend 'Jake.'"

The transit department in relation to collections, etc., and the transit department of the Federal Reserve Bank, in as far as it has been put into operation, was the title of the discourse, and the speaker said in part: "The collection 'game' is one that requires careful supervision and expert analysis, or some time you will find that an account that sends \$100,000 in collections is a losing proposition to the bank, while one that sends only \$1,000 is a paying one." Exchange charges, country banks, clearing houses, direct collection, par-points, and the Boston system were carefully explained.

Mr. Herzog also said, "I have been to New York two or three times in the past couple of weeks to meet members of the Federal Reserve Board and am able to give you some inside 'dope' in regard to the anticipated clearing of checks for member banks." He spoke very highly of the men composing the

Board, and said, "I am weaned of the idea that this is a government bank, and feel now that it is our bank and that we must put forth every effort to make it a magnificent success, not alone for the money we have put into it, but for the fact that it is ours and that its success is our success." At the close of Mr. Herzog's interesting and educational talk the members voted him a rising vote of thanks.

The time is drawing very near for our annual dinner, which is usually held during the month of March, and on a motion the president appointed Mr. Reynders, of the National Commercial Bank, as chairman of a committee, with Mr. Ehrhardt, of the Albany Trust Company, and Mr. Corrie, of the New York State National Bank, to make arrangements for this coming event. Much discussion was had as to where and when this pleasurable gathering should take place, but it was finally decided to have it either on Thursday, March 18th, or on Thursday, March 25th, at a hotel or club where the committee could make the best arrangements and be most acceptable to the chapter. As this has always proved a very enjoyable event, where the clerk met the officer on a common level and where wit and plenty abounded, interlarded with pleasing and interesting speeches, we are anticipating even more of a good time than in the past.

ATLANTA.

By Julian Clayton.

Joel Hunter, of the well-known auditing firm of Joel Hunter Company, gave us, February 2d, a talk which was unique, as will be seen from the subject, "The Ideal Audit of a Bank." Notice this was the "ideal" audit. Mr. Hunter went first into the usual audit showing the hardship placed on the auditor by

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the lack of time. Necessarily, he said, the bank requires an auditor to plunge into the work of verification and to go through the various departments hurriedly, but at the same time imposes the duty of absolute accuracy and intelligent reporting. He then went into the ideal audit, in which the auditor is allowed all the time he requires for the complete analyzing of every small detail of each department, in which the head of each department could discuss at length with the auditor the various minute details, as well as the general workings of the department in producing results. Mr. Hunter closed his evening with a short discourse on the analysis of the financial statements of parties submitted to the bank on which to base credit. His talk was instructive and we hope to have him with us again.

A. M. Bergstrom, cashier of the Third National Bank, gave us on February 9th a speech which was running over with good suggestions and practical ideas based on experience and observation. His subject was "The Duties of the Various Tellers." This talk was a memorable one, and the writer will venture to say that there was not a man present who did not get at least three suggestions valuable to himself. Mr. Bergstrom has acted in almost every capacity in this line and is a man of observation and conscientiousness. This fits him admirably to handle the subject, which he did in his own masterly way. Courtesy, accuracy and intelligence in handling various details and loyalty were the keynote of the address. Many things to avoid and to be on the lookout for were pointed out, and the reasons explained.

February 16th, R. W. Byers, assistant cashier of the Third, told us of "Bank Examinations." Few of us know, outside of our own departments, just what is required of an examiner, just what the Government wants to know about our bank, just what records they want him to inspect, and what bearing the different investigations have on the entire report of condition of the institution. Mr. Byers gave interesting facts as to the entire examination and showed the relation of various features of the business to the whole, explaining the necessities of the figures brought out by the examinations. He recited many bits of history as to the findings of examiners in certain famous cases. He showed the difficulties often experienced by examiners in obtaining necessary assistance from officers of institutions. Altogether the talk, together with the answers to questions after the main talk, brought out many interesting points—particularly as to required reserves under the new act—and our evening was thoroughly filled with information and good-fellowship.

The chapter is doing good work and we are having unusual attendance. Some of us even have faint dreams of securing a certificate some day.

BALTIMORE.

By Theodore C. Thomas.

The educational classes continue to hold the interest of our members. The speakers, without exception, have thoroughly covered the subject matter of the pamphlets. Mr. Samuel M. Hann, Vice-President of the Fidelity Trust Company and a former National bank examiner, delivered a most interesting and in-

structive talk on "Bank Examinations." The other lecture during the month was made by Mr. H. A. Tingley, manager of the bond department of Robert Garrett & Sons, who spoke on "Investments." On February 11th a quiz on "Bank Accounting" was given by Mr. Adrian J. Grape, of the Commonwealth Bank, and on the 25th Mr. C. Leland Getz, of Townsend Scott & Sons, covered the work of the Banking Class with a review.

Dr. Whitney has concluded his lectures before the Post Graduate Class on the "Federal Reserve Act," and will, for the next few weeks, give some special talks on "Foreign Trade of the United States," dealing particularly with the importance of the establishment of branch banks under the Federal Reserve Act in foreign countries.

The Public Speaking Class is looking forward to the debate with Philadelphia Chapter on March 19th in Philadelphia. The subject this year will be, "Resolved, That, in view of the present situation, the United States should take immediate steps to materially increase its Army and Navy." Baltimore's team will be composed of C. Leland Getz, Everard P. Smith, and J. Adreon Keller; alternates, Frederick D. Bertram and Edgar L. Heaver.

Our course in English under Professor Wilbur F. Smith, of the Baltimore City College, begins on March 9th. The lectures, six in number, will be held on Tuesday nights.

Nearly 500 members of Baltimore Chapter held the thirteenth annual dinner, February 27th, at the Hotel Belvedere. It was the most largely attended and most successful dinner in the history of the organization. There was not a dull minute throughout the evening.

Speeches were made by Congressman Augustus P. Gardner, of Massachusetts, on "Safety First—Is America Prepared for War?" John Burke, Treasurer of the United States, who talked on finance; W. P. G. Harding, member of the Federal Reserve Board, who spoke on "Cotton as a Financial Factor"; Harold Dudley Greeley, whose toast was "Getting Work Done," and William S. Evans, president of the American Institute of Banking, who responded to the toast, "The Institute."

Albert U. Smith, president of the Baltimore Chapter, opened the proceedings by introducing William L. Marbury as the toastmaster and by making a brief speech, in which he gave an enthusiastic boost to Baltimore, which he said was the best city in the grandest State of the Union, an expression of opinion in which his hearers enthusiastically agreed. Mr. Smith impressed upon the members of Baltimore Chapter the importance of boosting their own town and what they have in it.

BOSTON.

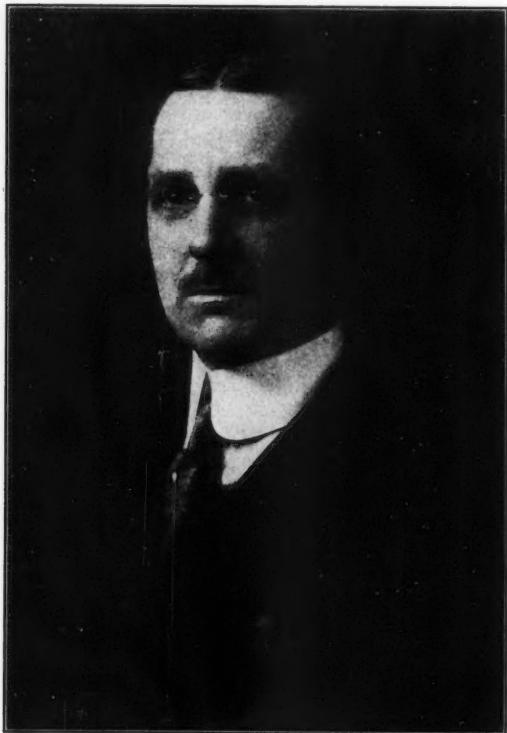
Bean for Institute President.

To Members of the American Institute of Banking:

Boston Chapter proposes Robert H. Bean for President of the Institute for the coming year.

Those who have been in touch with Institute affairs for some years past require no detailed state-

ment of Mr. Bean's qualifications for filling this office, or of the high administrative ability that has characterized his occupancy of various offices that he has held, both in his own chapter and in the national organization.



ROBERT H. BEAN.

His Institute record is an uninterrupted series of administrative successes, especially marked by the faithful adherence to those principles which were laid down by the founders of the Institute and to which it to-day owes its splendid past and its even more promising future.

On behalf of the chapter:

Frank W. Bryant, President,
Raymond B. Cox,
Horace S. Ford,
George B. Fox,
Robert B. Locke,
John W. Marno,
Gordon E. Musselman,
Olaf Olsen,
Herbert E. Stone,
Fred A. Young.

Chapter Work.

By Harold A. Yeames.

The month of February saw the introduction of our new educational department, a course of lectures in Stock Transfer work. This series of lectures, for

which seventy men have enrolled, will be a valuable adjunct to our educational program.

Our course in Business English has been completed, and those who attended the classes of Professor Hersey and conscientiously wrote the various exercises cannot fail to have derived considerable benefit. As an aftermath, a meeting will be held next month, which ought to prove exceedingly interesting, as well as entertaining. Each man will be allowed the floor for two minutes, during which he will endeavor to give his views on the subject, "What the bank man can do to increase prosperity." After the speaking Professor Hersey will criticise the various efforts and deliver some valuable advice on the subject of public speaking and argument.

Thursday, February 11th, the annual dinner of the chapter took place at the Hotel Brunswick. Over three hundred members and their guests crowded the main banquet hall of the hotel and enjoyed a sumptuous repast, interspersed with vocal and orchestral music. After the coffee and cigars, President Frank W. Bryant, in a few well-chosen remarks, started the second part of the program, the intellectual feast. The first speaker introduced was Congressman Hatton W. Summers, of Texas, who took for his principal subject the "Conservation of Food Supplies." He pleaded earnestly the farmers' cause and made grave predictions for the future unless something was soon done to remedy the shrinking of food supplies in face of the ever-increasing population. There was no doubt that he was an enthusiastic advocate of "rural credits." J. Randolph Coolidge, ex-president of the Boston Chamber of Commerce, followed with a masterly speech on "Military Preparedness," taking the military system of Switzerland as a model. Edward A. Filene, one of Boston's leading merchants, recently returned from Europe's war zone, gave some vivid pictures of conditions on the other side. Hon. Henry A. Shute, the well-known author of the "Real Diary of a Real Boy," spoke in a humorous vein, and was followed by Clarence W. Barron, the widely noted financial writer, who discussed some of the problems of the European war. The last speaker was our Institute president, William S. Evans, who spoke briefly but forcibly for the welfare of the Institute. Although there were many other prominent men at the head-table, owing to the lateness of the evening it was impossible to call upon them.

The announcement that E. Payson Upham, Jr., a member of our Board of Governors and Chairman of the Membership Committee, had severed his connections with the banking business was received with much regret. We wish him all success in his new field of commercial enterprise, but shall miss him in chapter activities, with which he has been so long identified.

BUFFALO.

By Godfrey F. Berger, Jr.

On Tuesday evening, February 16, 1915, the Buffalo Chapter, A. I. B. held its second informal dinner of the year. A large number of chapter and other bank men were present and were well pleased

with the program. The speaker of the evening was Mr. Henry C. Babel, Efficiency Expert of the McKinnon Dash Company of Buffalo, New York and Hamilton, Ont. Mr. Babel's subject was efficiency, a maximum result with a minimum effort. The speaker divided his topic into three parts, the efficiency of religion, alcohol and optimism.

"One of the highest fundamentals in industry and commerce," said Mr. Babel, "is regeneration as taught us by religion." The speaker then rehearsed some of the events of his own life, beginning as an atheist, a gradual change took place and when religion had taken its proper position in Mr. Babel's life, he claimed that the destructive forces of doubt and dissipation had vanished and the road toward success had been opened to him.

"Many older men, particularly of the last generation," said Mr. Babel, "who are deeply religious and who have made a success of life, claim that alcohol taken in moderation is not injurious. That might have been true in their day but in order to succeed in the tremendous competition of modern business, alcohol is out of the question." The Pennsylvania Steel Mills were then cited as having recently offered their employees an increase of ten per cent. in their wages, upon their willingness to sign a pledge of total abstinence. When asked the reason for this, the general manager said that the increased efficiency shown upon total abstinence was well worth the investment. Narcotics were also considered and a case stated where a test had shown that the lowest mentality of a class of men who did not smoke was higher than the highest mentality of a given class of men who used narcotics.

In regard to optimism Mr. Babel said that it is impossible to be optimistic unless we can see what is before us. "At present," said Mr. Babel, "The United States is making more money and saving more than any of the five countries in the war. Their prosperity is at a low ebb, while ours is bound to rise rapidly. We therefore have good reason to be optimistic."

After the talk by Mr. Babel, Professor H. C. Pender, a slight of hand and ventriloquial artist, entertained his audience with various tricks, followed by a ventriloquial performance, which was enjoyed by every one.

On Thursday evening, February 18th, Mr. W. H. Helper, Secretary of the Erie Savings and Loan Association, led the discussion on the New York State Banking Law pertaining to Loan and Savings Associations. Mr. Helper's reading of the Law was very instructive and the chapter is grateful to him for the interest taken in addressing its members.

The Annual Meeting and Dinner of Group One, New York State Bankers' Association, was held at the Lafayette Hotel on Saturday, Feb. 20, 1915. As Buffalo Chapter is member of the Association, Messrs. Hoffman and Rattray attended the meeting as delegates, and at the business meeting Mr. Rattray had an opportunity of telling those present something about the educational work that is being done by Buffalo Chapter. He mentioned that Buffalo Chapter had availed itself of the esteemed privilege of becoming a member of the New York State Bankers' Association, a privilege that had been accorded upon

the recommendation of their committee on Education which reported that the Association could best aid the younger banking fraternity by inspiring a keener interest in the American Institute of Banking. He outlined the scope of the Institute courses, and the methods of carrying on instruction by means of classes organized in connection with City Chapters and through the Correspondence Chapter which aims to reach those to whom a City Chapter is not accessible. Information as to work which is being done by Buffalo Chapter was then presented, details of the work and attendance at the Banking and Finance Class, Chapter Forum and Parliamentary Law Class being given. Stress was laid on the educational value of our open meetings at which we have had prominent speakers on the Federal Reserve Act, Credit Investigations, the development of our trade with South America and Efficiency, and pleasure was expressed at the large attendance at those meetings which showed that our efforts have been appreciated.

Referring to Chapter Finances, the speaker explained that the nominal amount of membership dues was insufficient for carrying along the Chapter work, but that the bankers of the city had responded loyally to our requests for assistance and had contributed funds that had enabled us to extend our field of endeavor very largely. In this connection Mr. Rattray said that when a banker made an investment he usually looked for a return that could be calculated in dollars, but that no return was looked for from contributions for chapter purposes, although this was an investment that could be made to yield a large return, and incidentally benefit those who were devoting time and labor to acquiring a knowledge of banking principles. In this connection it was suggested that the bankers ascertain which of their employees are chapter members, and then see to it that those members are giving them a proper return for the bank's investment; for there are many capable men in our banks, especially junior clerks working in large departments whose efforts are not brought to the attention of the officers, and in many instances their ambitions perish for lack of the necessary encouragement and appreciation.

The speaker said that he did not claim that all chapter members by virtue of that membership were of a superior order, for some acquired knowledge only by assimilation; others studied when it did not interfere with pleasure, but the majority worked strenuously to obtain advancement in the business of banking. He did claim that the bank man who is interested enough in his business to become a chapter member has in him the making of an efficient banker, and that with a proper stimulus for his ambition he would make good.

Mr. Rattray then referred to some instances of the success of Institute men, and in concluding asked, in addition to the moral and financial support that the banks have given us, an opportunity to earn for them and for ourselves an adequate return on our respective investments of Capital and Labor.

Beginning on Thursday, March 4th, the Chapter Forum will study Foreign Exchange. A large class is expected as much interest is being shown since the choice of this subject has been announced.

Preparations are now under way for our annual

banquet to be held on Saturday, May 8th, at the Ellicott Club. A large attendance is expected and the committee in charge is doing its utmost to arrange an interesting program.

CINCINNATI.

By William Beiser.

Hon. D. C. Wills, Federal Reserve Agent of the Cleveland Reserve Bank, lectured before the Chapter on January 26th on "Observations on the Federal Reserve Banks." His visit to Cincinnati recalled to his mind the first Inter-City Debate of some twelve years ago. When speaking of the men who actively participated in the proceedings, he practically told a tale of achievement. Nearly all of the men have become prominent in the world of finance. Mr. Wills spoke in detail of his duties as Agent for the Government in supervising the affairs of the Federal Reserve Bank in behalf of the Government. His reference to the issuance of notes was especially interesting. His description of office routine received very close attention. He spoke of the immediate effect which the organization of the Federal Reserve Banks had on sentiment and on confidence and with the result that an exceedingly tight situation had eventually become an easy one. The banker now knowing that there is a place to which he may resort in the event of emergency can make more free use of his loanable funds. The effect which this condition should have on business at a time when there is an active demand for funds is conceivable by all.

At the meeting of February 9th Charles W. Dupuis, Vice-President of the Second National Bank, gave the third of a series of lectures upon the Federal Reserve Act. Mr. Dupuis covered in detail Sections 10, 11, 12 and 13. The usual very lucid explanations were given and all questions were answered in a most satisfactory manner. It is a credit to Cincinnati Chapter that so many of its members have taken such a deep interest in this course of lectures. The Committee appointed to develop Thrift and the School Savings System in our Public Schools made a preliminary report at a recent meeting. It has issued a call for members to speak upon the above two subjects in the schools of this city. Henry Mergler, the Chairman of the Committee, has spoken before the Principals' Association and made a very favorable impression. There is no doubt but that these two ideas will be developed on the initiative of the Cincinnati Chapter and will be largely developed in our municipal life.

March 9th will be known as "Members Night." W. L. Thede, Assistant Secretary of the Union Savings Bank & Trust Company, will speak upon—"The Smile, an Asset of Business." C. E. Ford of the Fifth-Third National Bank will speak upon—"A few of the Problems presented to the Bankers during the last Eighteen Months." On March 24th Howard P. Warren, Professor in the Department of Finance of the Cincinnati University, will lecture upon "A recent change of attitude regarding corporate Financing of Indebtedness."

CORRESPONDENCE.

By George E. Alward.

The Correspondence Chapter is particularly proud of the fact that H. V. Alward has been elected cashier of the Commercial National Bank of Great Falls, Mont.

Mr. Alward is a native of Nova Scotia. In April, 1899, he entered the Bank of Nova Scotia as junior clerk and remained there for two years, having general experience in all the clerical work of the bank. In 1901 he took a position in the First National Bank of Missoula, remaining there for five and one-half years, the last two years in the position of paying teller. In 1906 Mr. Alward resigned to go to New York to pursue evening studies in the New York University School of Commerce, Accounts and Finance. While there he obtained a position in the Seaboard National Bank which added very valuable experience in the banking lines in the nation's greatest banking city. While in New York, Mr. Alward was an active member of the local chapter of the Institute.

Early in 1908, Mr. Alward returned to Montana, this time to become the cashier of the First National Bank of Kalispell, where he has been since occupying the position with great satisfaction to the bank and high credit to himself. He is a graduate of the American Institute of Banking and holds the degree of associate of the American Institute of Banking, given to those completing a post-graduate course. In banking education Mr. Alward combines the theoretical with the practical in the superlative degree and thus approaches the Institute ideal.

Mr. Alward is secretary of the Montana Bankers' Association, in which his ability and initiative will prove to be a valuable asset.

The Correspondence Chapter is achieving success in its plan of combining class and correspondence instruction in individual banks and groups of banks when two or more students are able and willing to work together in classes under the leadership of some one of the class members. Such plan provides that (1) each student shall be supplied with serial textbooks; (2) each student shall write the collateral exercises in connection with the first lesson and submit them to the class leader; (3) the class leader shall forward all of the exercises thus submitted to the Correspondence Chapter; (4) the Correspondence Chapter shall correct one of the sets of exercises thus submitted and return with the same to the class leader, together with all of the uncorrected sets of the same exercises; (5) on receipt of the exercises thus returned the class leader shall assemble the members of the class and distribute their respective sets of exercises among them, whereupon each class member shall compare the set of exercises written by himself with the set of exercises corrected by the Correspondence Chapter. When the first lesson is finished in accordance with the foregoing plan, subsequent lessons in their regular order are to be studied and corrected in the same manner until the exercises in connection with the several text-books are all completed. Thereupon final examinations in review will be furnished to each class member individually, with regulations governing their conduct.

Under the combination class and correspondence method of instruction thus described the tuition fee for each of the two parts of the Institute Study Course is \$15 for the first student and \$7.50 for each additional student, less one-third to students employed by institutions that are members of the American Bankers Association.

DALLAS.

By A. B. Kendrick.

On the evening of January 30th, Dallas Chapter had the pleasure of hearing an address by Governor Oscar Wells of the Federal Reserve Bank of Dallas, Texas, District number eleven. It was well attended by the membership and quite a number of the senior officers in the banks of the city availed themselves of the opportunity to hear this distinguished gentleman discuss the Federal Reserve Act. Having attended the Board meetings and conferences in Washington on various provisions and applications of the Federal Reserve Act, his address held his audience with unusual interest throughout, dealing, as it did, with many practical applications and the technical phraseology of the Act.

Mr. Wells gave briefly the history of the Monetary Commission and the passage of the Federal Reserve Act, and dealing, as he did, authoritatively and masterly with its provisions, every one came away with a much more comprehensive understanding of its provisions.

At the close of his address a Round-table discussion was entered into which proved highly entertaining and educational. A rising vote of thanks was then extended to Mr. Wells for his splendid address.

Particularly fortunate were we just at this time to have Mr. Wells address us, for he has resigned as Governor of the Federal Reserve Bank of Dallas to become President of the First National Bank of Birmingham, Ala., one of the foremost banks of the South. Dallas Chapter regrets exceedingly that Mr. Wells is leaving us. He came to Dallas from Houston when the Federal Reserve Bank of Dallas was organized and has been actively in support of the American Institute of Banking since the Chapter was organized in Houston. We have found him a student of banking and economic conditions and predict splendid success for him in his new field of labor.

A Law Class has been organized again and has outlined its work for the Spring season. This class is, in a measure, a review class, as most of the members are those who went through the course in the past two years but who did not stand the examinations last year. The class will meet on Tuesday Nights in the Dallas Chapter club rooms. Wiley Bell, a member of the local bar, has been secured to conduct the class, and, judging from the interest shown at the last meeting, there will be much accomplished.

One of the most interesting features of Chapter work this year has been the debates, one debate being had each month. By far the most interesting debate this season was held on the evening of January 27th. The question, "Resolved, that suffrage should be extended to women of the United States," was ably handled by Messrs. Forest Mathis and J. W. Youngblood for the affirmative and Messrs. Chas.

Bussey and R. B. Maddox for the negative. The arguments were well prepared and eloquently presented. Mr. Bussey deserves special mention for the splendid argument he gave and the masterly way in which he handled the subject. The judges of the evening gave the decision in favor of the negative. However, the participants, vanquished as well as victors, were the recipients of many compliments. The next debate, which will be on March 24th, will be, "Resolved, that the United States should subsidize her merchant marine," and will be participated in by Messrs. Grady Burlew, W. J. Evans, John C. Jester and J. Barney Davis. This subject will, no doubt, prove very interesting as both Senate and House of Representatives have given much of their time to debating same.

DAYTON.

By Jess Blackmore.

Our second annual banquet was held January 28th at the Phillips Hotel. We had a bang-up good time. Good cheer was on tap throughout the evening and there was an abundance of good fellowship. Serious minded considerations spiced with wit, humor and song, in which old and young took part, rounded out an evening of genuine pleasure.

D. C. Wills, Agent of the Federal Reserve Bank of Cleveland, was the first speaker of the evening. He spoke on the subject, "Some Observations on the Federal Reserve Act." It was our opportunity to secure first-hand information concerning the bank of our own district, and the interest in the subject was shown by the rapt attention given the speaker. Mr. Wills evidenced faith in and an optimistic outlook for the new system. High and honest tribute was paid to the personnel of the Federal Reserve Board. Mr. Wills emphasized the fact that the present Board intends to "make haste slowly"—to change present business methods gradually, so as not to cause any injury to any legitimate business. This policy he said had been that of the Cleveland Reserve Bank, which had been one of the last to rediscount and to issue currency.

It was Mr. Wills's opinion that one of the greatest benefits of the new system would be the improvement of credit for all classes of business. It would not be an extension but a betterment of credits, in which the Federal Reserve Banks could "exercise a useful function in assisting the member banks to improve their loans." He spoke of the requirements of the Federal Reserve Banks which make it necessary for member banks to in the future file statements of the condition of the business of the makers of paper offered for rediscount, and expressed his opinion that we will develop the practice of identifying the obligation with the purchase and carry on hand the negotiable instrument of the purchaser instead of accounts receivable. This, he said, would take time, but the tendency would be toward better accounts and more reasonable business methods.

Mr. Wills spoke at length concerning rediscounting, note issue, and the Cleveland District. Banking practice, he said, had built up the idea that rediscounting reflected upon the good standing of a bank, but under the new system the new order of things must change this. It will no longer be a disgrace, but rather show a desire to serve its people, for a bank to rediscount. It was pointed out that there

were many localities where the demand for money never equalled the supply, and vice versa, and that the new system, through its rediscounting feature, furnished the means of equalizing the supply and demand.

We are proud of Mr. Wills, for he is an example of the Institute man, Pittsburgh Chapter claiming him as its own. We were also glad to have Charles W. Dupuis, Vice-President of the Second National Bank of Cincinnati; Harry E. Freeman, Vice-President of the American Savings & Trust Company of Springfield, and H. H. McKee, President of Cleveland Chapter—all good examples of the Institute man. Responses were asked from each of them and they responded with vigor and fervor. Mr. Freeman talked on the American Institute of Banking, and, as it happened, Mr. Dupuis had intended to use the same subject, but he did not let it bother him, but went right ahead and gave us a very fine talk, which was received with genuine appreciation.

And right here let the writer tip you off to a little incident which shows that the real chapter spirit of mutual willingness to help one another and of fraternal co-operation outlives the active chapter life and is seen in the men who have laid active chapter work aside. Maybe the men spoken of will not entirely sanction this, but we will let it out anyway. Around the table at the banquet the speakers were roasting one another jovially, and though they came from the far corners of the State, it was "Dave" (Wills), "Charlie" (Dupuis), and "Harry" (Freeman), etc. Just natural brotherly, unaffected exchanges which reveal the right spirit.

We were more than glad to have several other out-of-town friends present, including Messrs. Zohn and George, of Cincinnati, and Zellers, of Springfield. W. R. Craven, Secretary of the Dayton Savings & Trust Company, acted as toastmaster.

DENVER.

By Marsdon E. Weston.

The most important recent event in local Institute affairs was the address of Gordon Jones, president of the United States National Bank of Denver and member of the board of Directors of the Federal Reserve Bank of District Number 10, on the "Federal Reserve System." This address was delivered in the Chapter rooms on February 17th and there was an attendance of 125 bankers, bank clerks and financial students.

Mr. Jones expressed the opinion that the country had been divided into too many districts, and that twelve districts made the system much more expensive than a fewer number would. He believes the system is a big step in the right direction and a positive remedy for the panicky, unstable conditions which the old system was powerless to prevent. He said, however, that it would probably be sometime before the system would be developed to the point where it would be of very great direct usefulness to the small banker, farmer and merchant. The policy of the Kansas City Regional Bank, he said, had resulted in an improvement of the price of government two per cent. bonds, the bank having purchased two or three blocks that were on the market. Although

the bank has not thus far made sufficient profit to cover expenses, he believes that it will catch up in a year or so and that as banks of the district become accustomed to its advantages its interest earnings will show rapid increase. The policy of paring transit items has caused considerable reorganization of transit departments in banks and will result in a good sized expense item to the member banks as the cost will be assessed to them.

Denver Chapter is in splendid condition. The Forum Class, which is a new department of chapter work here, is holding the very active interest of its members. About a dozen men, many of them being Charter members of the Chapter, are enrolled, and the remainder of the course will be spent in debating.

On the occasion of Mr. Jones's address that there was a noticeably large attendance of Charter members of Denver Chapter. These Charter members were men of purpose and they possessed a tenacity which was equally admirable, and to this can be ascribed one of the chief reasons for Denver Chapter's success.

The Educational Committee promises this year to turn out the largest class in Law in our history, and the class in English and Rhetoric is also reported to be making good.

The annual A. I. B. dance was held this year on February 10th at the Brown Palace Hotel under direction of a special committee headed by Stanley Wright of the Colorado National Bank. The event was a great social success and the feature was the special exhibition of fancy dancing and some of the new dances.

DULUTH.

By R. W. Callan.

The Study Class of Duluth Chapter is progressing steadily, although the attendance has fallen off somewhat. Great interest has been shown by those attending regularly. On Tuesday evening, February 2d, an examination was held in our classroom on the first pamphlet, "Wealth and Banking." At our next meeting, Monday, February 8th, the Federal Reserve Act was taken up under the leadership of our instructor, Mr. Ross. This new course of study is creating considerable interest, especially with the older members of our organization.

The second dance of the winter series was held Friday evening, February 12th, at Coffin's Dancing Academy. About sixty couple were on the floor.

HARTFORD.

By Calvin C. Bolles.

One need not feel obliged to have an unlimited supply of Institute enthusiasm to undertake the task of describing our year's triumph, the thirteenth annual banquet, held at the Allyn House on February 16th. To have merely been there would suffice, for the occasion was an inspiration for everyone and the least of them could not help bubbling over with Institute "pep."

The committee in charge was headed by President George F. Kane, ably assisted by last year's president, Wilbur S. Sherwood, and the old stand-by at banquet time, Warren T. Bartlett. An unusually

fine menu was served. The music was of the unusual kind. The boys joined in singing songs from the chorus sheets better than ever before and we all had a great time—long to be remembered.

After the dinner was over, "Professor" C. T. Hubbard served a course of his undigestible but none the less enjoyable magic, creating many laughs and performing the usual seemingly impossible stunts.

The speakers of the evening were four. Hon. Marcus H. Holcomb, Governor of the State of Connecticut, opened the speaking with a few appropriate remarks. The stellar attraction of the program, National President William S. Evans, of Philadelphia, gave a talk on Institute possibilities and activities that held the undivided attention of every one of the 140 men present.

Speaking in a lighter vein, Judge Edward L. Smith, of the Court of Common Pleas, gave a clear definition of the idea an outsider holds of what goes on behind the counter. One especially pat reference brought many laughs, when Judge Smith said that he never knew, when he was about to enter the Charter Oak National, whether he was going into the barber shop directly underneath the bank or the bank itself—he was pretty sure to be shaved in either place.

Judge Smith was followed by a man who has long since endeared himself to Hartford Chapter through previous appearances—Dr. Charles B. Meding, of New York. His subject was "Credit," and it was not bank credit either. Dr. Meding has a peculiar power to "put over" a great moral lesson in an entertaining way, illustrating many of his points by extraordinary stories.

Every man at the banquet enjoyed himself and we all hope for a repetition of an event, now history, another year.

The Forum is meeting regularly and learning a great deal about the financial history of the United States. We have made a strong beginning and it is not amiss to say that far greater things are expected from the Forum.

The lectures which comprise a part of the Banking Course are well attended and the leaders are proving themselves to be of the caliber the Educational Committee expected when they made their choice of speakers.

Although the subject is still under consideration, the local debaters are already gnawing at their chains to get into the scrap with New York on the 20th of April. We are out to win this year, without being boastful, and intend to make a good showing.

The Public Affairs Committee recently appointed by our president has begun its active work. Arthur H. Cooley, of the Security Trust Company, recently appeared before the Men's Club of a local church and read a fine paper on "What the banks are and why we have them." The secretary has been invited to address the senior commercial classes at the high school in the near future. Various clubs around town will no doubt avail themselves of the chance to learn about banking as soon as they know that we are engaged in this field.

On March 1st another membership contest is to be launched. This year the teams will be captained

by Victor J. Neilson, of the Riverside Trust, and Raymond Peterson, of the Fidelity Trust Company. The board of consuls are expected to give the very best that there is in them and boost, boost, boost, until every available man in town is on our records.

March 16th is the one big night of the remainder of the season. George H. Gilman, attorney at law, is to address our chapter on "Mortgages." Hardly a man of us knows all he would like to about this important subject. A rare chance, O ye who would learn, to "wise up" on this broad subject. "Mortgages"—remember, March 16th.

Earl W. Outtrim, chairman of the committee handling athletics, announces that a pool and billiard tournament is under consideration. The crack baseball team already has dug out of retirement a fine array of spiked shoes, gloves, bats, and "League" balls. We are looking to you, T. W. C., to show us good baseball.

Institute men at large who have been to conventions in the past will be pleased to learn that Allen H. Newton has been advanced to the position of assistant treasurer of one of Hartford's biggest trust companies, the Connecticut Trust & Safe Deposit Company. Mr. Newton has, since the very beginning of the Institute, taken more interest in its activities than most of the men. He has been a president of our chapter, holds the certificate, is a member of the Forum and has attended a great many conventions. We are glad as a chapter that one who has so thoroughly measured up to the A. I. B. ideal has been recognized.

KANSAS CITY. By C. H. Cheney.

Kansas City Chapter is experiencing a season of unusual activity. Many of our members, who heretofore have been interested only in the social features of the chapter, are now taking active interest in the study class.

Our entertainment committee have provided us with speakers of marked ability, and men of prominence not only in educational and financial circles, but the clergy as well, have favored us with talks on subjects of especial interest, which have proven highly beneficial.

The lectures of Professor Boynton, of the University of Kansas, were well attended, and the subject of Economics, so carefully outlined, was productive of more correct thinking along these lines.

Several of our local bankers have favored us with talks upon subjects of vital importance to our everyday business life, and in so doing have rendered a service which tends to broaden the mind and fit men for positions of responsibility and importance.

The lecture of Rev. Father Michael, of Kansas City, Kan., on travels in Europe, was closely followed by a large and appreciative audience, who, led by this very entertaining speaker, were able to see many places of interest in Continental Europe.

Following the lecture of Father Michael was an adding machine contest, which was participated in by twenty-two members of the chapter, resulting in some very fast and accurate work.

The listing and obtaining the correct total of two hundred and fifty checks, figures written in long-

hand, resulted as follows: H. Reynolds, of the Drovers' National Bank, first, time 3.30; George Biltz, of Country Clearing House, second, time 4.23; J. M. Ewart, S. W. National Bank of Commerce, third, time 4.27.

The Post Graduate Class conducted by L. M. Pence, is holding weekly meetings, and the discussions have been very interesting as well as beneficial.

MEMPHIS.

By L. C. Humes.

Preliminary steps to reorganize Memphis Chapter were taken at a recent meeting of bank clerks in the Business Men's Club. A. C. Burchett was elected chairman, and permanent organization will soon be effected.

E. L. Rice, Vice-President of the Bank of Commerce & Trust Company, and T. M. Salter, Vice-President of the Central-State National Bank, addressed the bank clerks on the value of higher education in banking. It is proposed, when the section is reorganized, to hear lectures on commercial law twice a month.

The following committee was appointed to represent the organization in the various Memphis banks: A. B. Lewis, assistant cashier of the Commercial Trust & Savings Bank; A. C. Burchett, auditor of the Bank of Commerce & Trust Company; W. L. Huntley, Jr., assistant cashier of the Mercantile National Bank; M. B. Tapp, teller of the First National Bank; S. P. Fortune, teller of the Central-State National Bank; R. S. Polk, assistant cashier of the Union & Planters' Bank & Trust Company, and L. H. Weed, teller of the Manhattan Savings Bank & Trust Company.

MILWAUKEE.

By A. J. Salentine.

Milwaukee Chapter has come to a point which might be termed the end of the half year in the educational work of 1914-15. On February 20th we concluded our class in commercial law with an examination under the direction of A. C. Umbreit, class instructor.

March 2d, H. J. Drehr, our past president, will begin a class in banking and finance, using the Institute pamphlet on "Wealth and Banking." This course will be composed of ten lectures and an examination which, with Mr. Drehr's well-known leadership, should prove popular and beneficial.

The debate with Chicago Chapter will take place March 20th, the question being, "Resolved, that the business interests of the country would be better served by one central institution than by the twelve regional banks," on which Milwaukee will support the negative. Our team has not been picked at this writing, but several of our chapter members are hard at work on the subject and promise our opponents a good fight.

MINNEAPOLIS.

By S. J. Fitzsimmons.

This is the third year that the Minneapolis idea for meetings has been in effect, and its beneficial results have made it a fixture. The monthly meetings

are made the occasions for dinners at which prominent men are invited to talk on subjects of general interest.

At the January dinner meeting A. V. Smith, of the Security National Bank, Chairman of the Educational Committee, reported on the program for the second semester and urged those not taking part in the educational work to enroll in one of the classes. The General Extension Division of the University of Minnesota, with which this chapter is affiliated in its evening classes, became bullish, and raised the price of educational stock this year, but "A. V.", being in a bearish frame of mind, and having options on many registrations with which to flood the market, was able to hold the price down, for which we owe him our thanks. George Hocum, of the First National Bank, sang some very pleasing vocal selections. Then C. R. Chaney, of the Northwestern National Bank, entertained us with a cleverly, humorous chalk talk which provoked a great deal of laughter.

President Brombach then introduced John H. Rich, Federal Reserve Agent for the Ninth District, the speaker of the evening. Mr. Rich delivered a very interesting, instructive and comprehensive address on the Federal Reserve Act and System in general and the Ninth District Federal Reserve Bank in particular. A digest of Mr. Rich's paper appeared in the February issue of the JOURNAL-BULLETIN and no doubt has been read and appreciated by bankers all over the country.

By the time this has been published, our annual meet with the St. Paul Chapter will have taken place, the date being March 6th, and the place the lobby of the Security National Bank. The plans include a buffet lunch to be served after the contests.

The active season is rapidly approaching its close. This always bends our thoughts to the Annual Banquet, the climax of the year's work, and the star event of local interest. This year is no exception and the Banquet Committee is already formulating its plans. No definite date has been decided on as yet. It is usually held in the latter part of April or the first part of May.

NASHVILLE.

By Leon M. Savell.

"We have met the enemy and they are ours." In our seventh annual debate with Chattanooga, Nashville was the winner, the subject being, "Resolved, That there should be an increase in the Army and Navy of the U. S." Nashville was very ably represented on the affirmative by Parks Armistead, who readily distinguished himself as an orator, and DeWitt Carter whose forensic eloquence has more than once won the day. It is also notable that in the past the home team has always been the winner and consequently the cry of "Patriotism" on the part of the judges. Chattanooga was represented by Messrs. Taber & Hassell, who put up a game fight.

Our opponents' chief fear seemed to be that in the advance of militarism in the United States, the deadly submarine might some night "swim" inland and bombard their fair city. However, their fears were readily allayed when it was explained that submarines possess a very strong antipathy for "dry towns." Nevertheless, our opponents put up a strong

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fight, and we consider them in every respect as being "foemen worthy of our steel."

They are also excellent hosts. The Chattanooga boys appeared bright and early Sunday morning for an automobile trip over the city, visiting points of interest in Chickamauga National Park and Missionary Ridge, after which the party had luncheon at a famous wayside inn, known as "The Hitching Post." The afternoon was spent kodaking on Signal Mountain, and the Grand Canyon of Tennessee. Monday morning the party proceeded to Lookout Mountain, and after returning to the city an excellently appointed dinner was tendered the visitors in the private dining room of the Hotel Patten. The afternoon was spent in visiting the Manufacturer's Permanent Exhibit Country Club and other points of interest.

Among those who contributed to the pleasure of our visit were: Messrs. Dickerson, Tomlinson, Holder, E. Lee Smith and Carl G. Smith.

Our last program consisted of an address by Dr. Dyer on "Banking Legislation in the United States since 1770," and was well attended.

NEW ORLEANS.

By Raoul Prudhomme.

Through the courtesy of Prof. Morton Aldrich, Dean of the Tulane College of Commerce and Business Administration, New Orleans Chapter has been officially invited to be present at the weekly lectures to be given by the College and to participate in the general discussion which usually follows the lecture. They are to be held every Friday night at the Assembly Hall of the Association of Commerce and should prove of special interest and benefit to all members of the business world, and to bank men in particular. The speakers chosen are all prominent local business men, leaders in their various professions, and the topics selected are such that they must necessarily appeal to us all. The governing board of the New Orleans Chapter strongly urges each and every chapter member to take advantage of this unusual opportunity open to them. The very attractive program of lectures as handed us by Dr. Aldrich follows:

February 26th—Leon C. Simon—"Chamber of Commerce."

March 5th—F. W. Evans, "Retail Merchandising."

March 12th—Gayle Aiken, Jr., "Efficiency and Welfare Work for Employees in Stores and Factories."

March 19th—Edgar H. Farrar, "Interstate and Foreign Commerce."

March 28th—Neal M. Leach, "Railroad Management."

April 2d—(No Lecture—Good Friday).

April 9th—Jeff D. Hardin, "Commercial Exchanges."

April 16th—James L. Wright, "Office Management."

April 23d—Sylvan Levy, "Wholesale Merchandising."

April 30th—Sigmund Odenheimer, "Factory Management."

May 7th—A Breton, "The Internal Organization of a Bank."

The chapter library under the efficient management of E. F. LeBreton, librarian, is now ready for the demands of our members. A number of recent and valuable issues on banking and its kindred subjects having been recently added to the collection of books already owned by the chapter, we are now possessed of a valuable reference library. Copies of the latest and best financial periodicals are always on hand. We trust that the membership will make frequent use of the advantages of the library, and thus materially widen the scope of chapter activity and increase their own knowledge and efficiency as well. Mr. LeBreton, the librarian, can be located at the Canal Bank & Trust Co. and will cheerfully answer all inquiries relative to the library, and assist those interested in obtaining the reading matter they desire.

NEW YORK.

By the Publicity Committee.

The Fourteenth Annual Banquet of New York Chapter was held at the Hotel Biltmore, Saturday evening, February 13th, with over seven hundred members and guests in attendance. O. Howard Wolfe, president of the chapter, presided as toastmaster. After welcoming the guests, Mr. Wolfe stated the reason for holding the annual feast was an opportunity for the chapter to give an account of itself. Mr. Wolfe further stated that bankers who are not acquainted with our organization and regard the chapter as a social club should know that most of our time is given over to learning and that the program of February activities, printed in the dinner list, shows the wide range of our activities. "Our ambition is to offer to New York bank men the best that can be secured in the theory and practice of banking and in knowledge of commercial law. One hundred men will graduate from New York Chapter this year and receive the Institute Certificate. During the past year there was selected from our active membership one man as president of a bank in Syracuse, one as vice-president of a bank in Boston, another as expert under the Federal Reserve Board, and a few days ago another man left to occupy an executive position in Los Angeles. What we need in this country to make a success of banking are men—not measures. The Federal Reserve Act is not a cause, it is an effect, and it need never have been written if some bankers had not been ignorant or unmindful of their responsibilities. For every bank that has failed through dishonesty, one hundred have failed through ignorance and lack of ability on the part of bankers."

William S. Evans, National President of the Institute, spoke of the Institute as standing for big things in finance and of its 15,000 members scattered throughout the country who are made up of ambitious, determined young men, feeling an interest for a closer inquiry into their daily business and grasping the opportunities afforded by the Institute. "The Institute, dedicated to education, stands for advancement through merit only and the loyal support of the organization by bankers generally, should be continued on a much larger scale than ever before. We are passing through a reformation of our banking business, and the opportunities for wider service

which international conditions offer call for more careful thinking and action along new and unfamiliar banking lines. Competent minds must be trained to properly discharge these duties, and I am satisfied that any financial support that is accorded to Institute work will prove one of the best loans you can make. The Institute is proud of the work that New York Chapter is doing and we want your assistance in bettering and broadening the work throughout the country, particularly in smaller chapters and in districts where chapters cannot be properly organized."

The addresses made by Benjamin Strong, Jr., Governor of the Federal Reserve Bank, New York, and William E. Knox, Comptroller of the Bowery Savings Bank, will be reported elsewhere in this issue, and the address delivered by Professor Jeremiah W. Jenks, of New York University, will be reported in the JOURNAL-BULLETIN for April.

Several sustaining members have been added to our list during the past month. Lewis Auperin, of the Corn Exchange Bank, Bronx Branch, was elected a Governor of the chapter at its meeting on February 9th to fill the vacancy caused by the resignation of Raymond B. Cox. B. P. Gooden, our Consul at the New Netherland Bank, has been appointed assistant to President Brown of that institution.

President Wolfe is making a tour of several of the Southern cities in connection with his work as Secretary of the Clearing House Section of the American Bankers Association, at which time he will visit and address a number of chapters.

Considerable interest is being manifested in the prize again offered by James G. Cannon for the best essay on a subject of interest to banks and bankers. The subject selected for this year, "Effect of the Federal Reserve Act on New York City as a Banking Center," is expected to bring out a number of new and important points.

Considerable interest is also being manifested in the new chapter orchestra which is being formed and about which more information will be given at a later date.

On February 16th the annual adding machine contest was held at the chapter rooms and the contestants from the various banks were enthusiastically supported by their associates. Mr. C. M. O'Grady, of the National Bank of Commerce, broke all previous records for speed and accuracy by listing his checks in two minutes and fifty-five seconds and reaching the correct result. Mr. W. J. Sheehan, of the National Bank of Commerce, was a close second.

Our debate team was again defeated by Philadelphia on February 10th, but although New York failed to win the decision, there was considerable satisfaction when it was announced that one of the judges favored New York Chapter, although he was overruled by two votes in favor of Philadelphia.

Alfred M. Barrett, one of New York's original chapter men, has opened offices at 165 Broadway, Manhattan, to deal in bonds, bank stocks and mortgages.

PITTSBURGH.

By W. A. Korb.

The first industrial trip of Pittsburgh Chapter was taken on Lincoln's Birthday, when the members

and their ladies were entertained by the H. J. Heinz Company. The party, about 350 in number, assembled in the rotunda of the Administration Building until all had arrived. From there we were conducted to the front of the building, where a photograph of the group was taken by the Heinz photographer. Next came the luncheon in the auditorium of the Heinz plant. This luncheon was tendered by the Heinz Company and consisted almost entirely of Heinz products.

After the luncheon an address of welcome was made by one of the Heinz officials, which was responded to by our president, Mr. Reed. Then followed the first step of our trip. It consisted of stereopticon views of the industry made famous by this company. There were pictures of the different branches all over the world; pictures of the farms, and the products in the different stages of their growth and preparation; pictures of the finished materials; pictures of employees at work, and many others, ending with the picture of our group which had been taken but a short time before.

The tour through the plant was most enjoyable. We were able to see quite a few of the products in their different stages of preparation. We could watch the care with which each product was examined before it left the plant. We could get some idea of the wonderful system in vogue. We were thus almost unconsciously educating ourselves along new lines. To the ladies it was especially interesting to observe the modern methods of preparing foodstuffs.

The Educational Committee is to be congratulated on the success of this their first venture in a new field. As stated before, we were able to obtain knowledge along new lines in the most forcible manner possible. Two things that impressed us greatly were, first, the bigness of the undertaking and the organization necessary to handle such an industry; and, second, this system of advertising which has become so widely known. Truly it is worth one's while to visit this plant, to enjoy the hospitality of this company, and to learn something of its business and business methods.

The Committee on Public Affairs is now actively engaged in its work. On February 9th E. S. Eggers, Assistant Cashier of the Union National Bank, who is one of the members of this committee, spoke on the subject of "Thrift" at the Watson Presbyterian Church of this city. On February 16th Albert T. Eyler spoke on the same subject before an association composed of the employees of the Duquesne Light Company, called the Duquesne Light Association. On February 18th Messrs. Space, Eyler and Reed conducted a "Thrift Meeting" at Waynesburg, Pa. Besides the discussion of "Thrift," President Reed spoke on the work of the American Institute of Banking.

The "Practical Accounting" classes are progressing very nicely. Professor Eccles, who conducts one of these classes, has announced a series of four lectures on "Corporation Finance," to which all the bank men have been invited. The class in "Commercial and Banking Law" has just about completed its study of "Negotiable Instruments." After a general review, a mid-season examination on "Contracts" and "Negotiable Instruments" will be held.

The Chapter Forum held its February meeting on the evening of the 10th. The members gathered for dinner at 6.30, after which Theodore Reinbolt, of the Mellon National Bank, gave a talk on "Foreign Exchange." The Forum this year promises to be the best ever. With the increasing number of new members, new material presents itself, thus assuring an added interest.

"Ladies' Night" was observed on February 3d. It was a great success from every standpoint. At 6.30 a dinner was held in the Fort Pitt Hotel in honor of the ladies. After a very pleasing repast, President Reed, who acted as toastmaster, called on D. A. Mullen, the Chairman of our Ways and Means Committee, for a few remarks. Mr. Mullen evidently endeavored to prove to the ladies that the men who attended the chapter meetings were spending those evenings in one of the most profitable ways possible. His subject was "The Work of Our Chapter." He mentioned briefly all the plans of work done in the chapter, the benefit to be derived from its meetings, and the results looked forward to.

The other speaker of the evening was George Rankin, Jr., the well-known debate man of our chapter, who spoke on the subject "Women." Mr. Rankin's original humor made quite a "hit" with his audience. At the conclusion of this address the party went to the chapter rooms for the entertainment of the evening.

As large a crowd as could possibly be accommodated was on hand to hear the excellent musical program which had been arranged. The program was rendered by Mrs. Ruth Bowers Gibson, violiniste; Mrs. Mary Jones Sherrill, reader; a male quartette under the direction of John Seifert, and Earl Mitchell, pianist. This array of artists provided an entertainment such as one is seldom privileged to hear. Surely a new high standard for this class of entertainment has been fixed in our chapter.

Great preparations are being made for open meetings for March. It is to be an "Old Home Night." Quite a few of the "old guard" are expected to be with us at that time.

RICHMOND.

By Jesse F. Wood.

Richmond Chapter has inaugurated a series of sightseeing tours for its members. It has been arranged to conduct the tours once a week, and to embrace all of the large factories and plants around the city. Through the kindness of A. S. Tanner, Superintendent of the Chesapeake and Potomac Telephone Company, about 75 of the chapter members inspected the workings of the telephone exchange last week.

Under our former plan of electing the Board of Governors, each member was elected for a term of one year. This provision was changed at our last meeting in order that two may be elected one year and the remaining three elected the following year, each of whom thereafter would be elected for a period of two years. This was done that the chapter might be sure of the services of at least two hold-over members every year.

Quite a lively discussion took place over a resolution requesting the Clearing House Association to

request all banks to put fate slips on all notes and drafts presented for payment, giving their reasons for non-payment, just as is the custom for checks. This resolution was finally adopted.

Our program for the last meeting was an interesting one, and we were treated to a very interesting and instructive talk by Oliver J. Sands, President of the American National Bank, on the subject "The Brotherhood of Business." George Barnard, of the Merchants National Bank, spoke on the "Handling of Collection Items."

ROCHESTER.

By Fay E. Wright.

The educational work of Rochester Chapter is in every way a success. The class in Banking and Finance continues to have a good attendance and we expect a large number to take the examination.

The factory visits have proved very popular. Up to the present time we have had three, the Eastman Kodak Company, the Reed Glass Company, and on Washington's Birthday our members were taken through the Stecher Lithographic Company's plant. The party was divided into small groups, each group having a separate guide who explained the different machines and processes. We are told that this plant is the fifth largest of its kind in the country, so those who went had an excellent opportunity to see lithographing done on a large scale.

Members of Rochester Chapter and Rochester bank men in general are looking forward with interest to our next informal dinner, which will be held at the Chamber of Commerce, March 8th. Arrangements have been made for two speakers, Meyer Jacobstein, Professor of Economics at the University of Rochester, who will talk on "The Present War, Its Effect upon the Economic Conditions of this Country: Does War Pay?" and Judge John D. Lynn, United States Attorney, will speak on "Other Causes and Their Effects." As these topics are much discussed at the present time, we anticipate a large number of bank men will attend, and we hope to make it larger and better than any previous informal dinner.

ST. LOUIS.

By Charles A. Schacht.

Louis W. Fricke, Assistant Secretary of the Mississippi Valley Trust Company, a charter member and former president of St. Louis Chapter, and well known in many chapters throughout the country, departed this life, January 30, 1915, after a brief illness. News of his death came unexpectedly to a large number of his friends.

Mr. Fricke was a Scottish Rite Mason and a Shriner, his funeral services being held under the auspices of West Gate Lodge No. 445 A. F. & A. M., of which body he was an active and enthusiastic member.

Our departed co-worker was forty years of age and had practically the best part of his life before him. He started his banking career as a clerk in the old Laclede Bank of this city, and later associated himself with the Mississippi Valley Trust Company, of which institution he was assistant secretary when

he died. He made a highly efficient president for St. Louis Chapter during 1906-1907, and has at all times been very closely associated with the chapter work. As evidence of this the writer recalls seeing him at a meeting of the Forum Class two weeks before his untimely death.

With the passing of Mr. Fricke, or "Louie," as he was affectionately called, our chapter loses a tried and valued friend, a warm and cheerful supporter, and one upon whom we could call for advice and assistance at all times. We feel his loss most keenly. The name Louis W. Fricke will long be remembered and cherished by the whole banking fraternity, and especially by the St. Louis Chapter.

Words at this time fail to adequately express our sorrow and grief at this sudden calamity that has befallen our chapter; and our hearts go out in warm sympathy to his bereaved family in this their hour of sorrow.

While Mr. Fricke was stricken and has passed into the great beyond with his earthly tasks uncompleted, we feel assured that he has but fallen asleep, only to awaken to that life immortal and to live again in the enjoyment of eternal youth. No more the master hand shall draw designs upon his earthly trestle-board, "because man goeth to his long home" and "to that undiscovered country from whose bourne no traveler returneth."

O, not in cruelty, not in wrath,
The Reaper came that day;
'Twas an angel visited the green earth,
And took the flowers away.

SAN FRANCISCO.

By W. F. Gabriel.

We are glad to report the following eight members as being successful in passing the mid-term examination in Banking Law, which was held by Professor Maurice Harrison, on Saturday afternoon, January 23d:

B. A. Supple, Anglo and London Paris National Bank; E. L. McCargar, First National Bank; H. L. Darton, Federal Reserve Bank; H. M. Craft, Canadian Bank of Commerce; W. J. Singleton, First National Bank; J. C. Richert, Wells Fargo Nevada National Bank; W. F. Gabriel, Wells Fargo Nevada National Bank; W. J. Bevan, Wells Fargo Nevada National Bank.

The last named gentleman achieved the enviable record of 100 per cent., having turned in an absolutely correct paper. In years to come other members may equal this mark, but the distinction rests with him, as being the first one in the history of the chapter.

Thursday evening, February 11th, our members enjoyed a very pleasant informal dance, held in the chapter rooms under the management of Messrs. Moore and Lux. Over a hundred were in attendance, participating in the good social spirit prevailing.

We are all looking forward to a very interesting evening meeting to be held Wednesday, February 24th. Prof. C. H. Parker, who is conducting our class in Banking and Finance, is to deliver a lecture on "War Finance." It is doubtful if a more interesting subject could be found at this time.

It is the pleasure of our Board of Governors to announce the tentative plans for the formation of a Chapter Forum. We have felt for some time the need of an organization to conduct the Post Graduate work, handle Institute debates and provide ways and means and place for the discussion of current day topics. From the experience of Eastern Chapters, we believe this can best be accomplished through a Chapter Forum. The details of the work pursued will be greatly left to the decision of the members, but the general plan of organization is as follows:

Members—Certificate holders, members of Public Speaking Class, other Institute members.

Meetings—Once or twice a month.

Purpose—Conducting Post Graduate work, handling Institute debates, training speakers for public addresses.

Government—To be supervised by a Committee on Public Affairs.

We feel that this will be a big step toward following out the principles of the Institute; the development and education of its members. Our first meeting is to be held March 11th, at which four members will debate on "Rural Credits." A general discussion will follow.

Among the important coming events is the Annual Adding Machine Contest, which will be held on the evening of March 18th. The usual cash prizes will be awarded, and the many aspirants for first prize are now practicing daily to develop the necessary speed. Additional interest is being centered in this year's contest, as those participating will use electric machines, geared to make very fast time. This we are able to do through the assistance of the Burroughs Adding Machine Company, who have always stood ready to assist us in handling these events. On the same evening they will demonstrate the value of a statement machine in connection with ledger posting; a system that is becoming more general in use month by month.

Preparations are fast being made for our Annual Vaudeville Show and Dance, which will be held on the twenty-second of April in the Native Sons Hall. Through the active and conscientious work of a large committee, we hope to make this the biggest and most prosperous show ever held. The proceeds will be used to help entertain the 1915 Convention in August.

Panama Pacific International Exposition Now Open.

It's opened. San Francisco did it. On February 20th, by eleven o'clock, and that was just three hours after the gates had been opened, more people had entered the grounds than attended the Columbian Exposition at Chicago in the entire opening day. Here is a comparison of the opening day attendance at the three great American International Expositions:

San Francisco, February 20, 1915, 216,000; St. Louis, April 30, 1904, 178,423; Chicago, May 1, 1893, 137,557.

It was the people's day, and the crowd was the feature of the Exposition. As one watched the progress of the construction during the last two years, you thought you had some conception of what it was. But yesterday when you saw that mighty throng enter the gates and people the avenues, the palaces and courts, the real greatness of it all was revealed,

you felt. This is an Exposition. The Palaces were magnificent. The Tower of Jewels glittered according to specifications. The landscape gardening was enchanting. The colors were beautiful in the sunlight; and the clouds that rolled up in the early morning, just took one look at it all and decided it was no place for them. So they rolled away, and left the sky to the sun, and the Exposition to the people.

SEATTLE.

By Lester R. McCash.

The third annual ball, the big social event of the season for the local chapter, was held Tuesday evening, February 16th, at the Broadway Hall. About two hundred guests attended. The event, which closed the winter festivities, was a pronounced success, and the committee in charge deserve much praise for the success. The committee was: I. C. Bogardus, chairman; C. A. Philbrick, R. S. Walker, R. H. Wilson, R. P. Callahan, W. L. Collier, E. B. Ansley, J. H. Newberger, J. C. Glass, D. L. Davis, Arthur Goodfellow, G. C. Morrill, and D. H. Lutz. The patronesses were: Mrs. J. F. Lane, Mrs. M. F. Backus, Mrs. W. F. Peachy, Mrs. J. E. Chilberg, and Mrs. J. H. Edwards.

Bank men are eagerly looking forward to the next monthly meeting of the chapter, as it has been announced that George Watkins Evans, the Government's mining expert for Alaska, will give an address on "The Alaska Coal Fields Considered Commercially." Those who have heard Mr. Evans speak say he is an interesting talker, and as he has more than an interesting subject, the address should be a rare treat.

Mrs. Blanche S. Sage has announced the marriage of her daughter, Bernice Pauline Phillipi, to L. L. Wold, on Thursday evening, February 18th. Mr. Wold is one of the most prominent of the younger bank men of the city. He has always taken an active part in Institute affairs and is the secretary of the Seattle Chapter. He is paying teller at the Scandinavian-American Bank.

The local chapter has received a challenge from Portland Chapter to play a game of basketball in

Portland on Washington's Birthday, and has been accepted. This is an annual affair, Portland being Seattle's guests last year. These intercity affairs do much to promote good feeling between the different chapters and should be kept up. Spokane and Seattle have for the past few years held an annual debate and it is very likely that one will be held this year during the time of the Washington Bankers Convention or the A. B. A. Convention.

SYRACUSE.

By A. B. Merrill.

The lecture for February 5th was delivered by George L. Tickner, Secretary of the National Bank of Syracuse, upon the subject of "Bank Reserves." Among other things Mr. Tickner spoke quite at length upon centralized control and inside organization of a bank.

February 19th the debate team chosen for the affray with Utica Chapter had a "work-out" against another team picked from among the boys upon the subject of "Resolved, that New York State should enact a law compelling banks and trust companies to guarantee deposits." Quite a little enthusiasm was aroused and the team acquired some excellent practice.

February 26th, James Gere, Assistant Cashier of the Salt Springs National Bank, spoke upon the subject of "Paying Teller's Department." Following Mr. Gere, Professor Roman lectured upon the "Tariff."

During the months of March and April we are looking forward to some excellent meetings. Three Presidents are to address us—President A. W. Hudson, First National Bank; President A. W. Loasby, Trust and Deposit Company of Anondaga, and President G. M. Barnes, Central City Trust Company. We also hope to hear the cashier of the First National Bank, L. S. Brady, who has lately come among us. Our chapter room is an excellent place in which to become acquainted and the "boys" would undoubtedly extend the glad hand to Mr. Brady at any of their meetings.



Going to the Institute Convention

Route Selected by the Transportation Committee—Stops at the Grand Canyon and Los Angeles—Schedule of the Institute Special Train—Rates from Various Eastern Cities:

The committee appointed by your president to arrange for the transportation of delegates to the Thirteenth Annual Convention of the American Institute of Banking at San Francisco, August 18th to 20th, begs to report that it has practically completed its plans and now presents same to you herewith.

From Chicago, which it is considered will be a centering point for eastern and southern delegations, the route chosen will lie over the Chicago, Burlington & Quincy Railroad to Kansas City and from that point over the Santa Fe Railway via the Grand Can-

yon, Los Angeles, and San Diego to San Francisco.

A special train, operated exclusively for the comfort and convenience of A. I. B. delegates, in charge of an experienced railroad representative and elegantly equipped, will conduct delegates over the entire course from Chicago to San Francisco and will be their "home" for six wonderful days of sightseeing and unusual entertainment.

A table, showing the train schedule and fares which will apply between various cities and San Francisco, follows. In the April issue of the JOURNAL-BULLETIN a detailed itinerary will be published, covering the points of interest which delegates will see on the Burlington and Santa Fe lines, as well as information concerning expense of side trips, meals, the privilege of a diverse routing on the return trip.

In routing delegates to the San Francisco Convention it has been the committee's aim to select a scenic line of travel; to meet, so far as it was possible, the wishes of chapters extending entertainment; and finally, to provide delegates with a maximum of pleasure at a minimum of cost. It is believed that the route chosen fulfills this desire.

William A. Marcus, Savings Union Bank & Trust Company, San Francisco, Cal.,
Henry R. Kinsey, Williamsburgh Savings Bank, Brooklyn, N. Y.,
George A. Jackson, Chairman, Continental & Commercial National Bank, Chicago, Ill.,
Transportation Committee.

Round Trip Railroad Fares.

TO	FROM	TO
\$62.50	Chicago	\$80.00
57.50	St. Louis	75.00
59.25	Peoria	76.50
50.00	Kansas City	67.50
50.00	Omaha	67.50
63.85	Minneapolis	74.45
81.25	Pittsburgh	98.45
98.80	New York	116.30
95.20	Philadelphia	112.70
104.20	Boston	121.70
67.10	Indianapolis	85.00
76.20	Cleveland	93.70
73.50	Detroit	91.00
70.25	Cincinnati	88.40
74.18	Columbus	91.85
		San Francisco
		Los Angeles
		San Diego
		Oakland
		and Return
		One Way via
		Seattle,
		Portland or
		Victoria

Special Train from Chicago.

Aug. 11—Lv. Chicago.....	6.10 P.M.	Burlington Route.
Aug. 12—Ar. Kansas City.....	8.00 A.M.	" "
Aug. 12—Lv. Kansas City.....	2.00 P.M.	Santa Fe.
Aug. 12—Ar. Newton, Kansas.....	6.50 P.M.	
Aug. 12—Lv. Newton, Kansas.....	7.35 P.M.	
Aug. 13—Ar. Trinidad, Colo.....	7.10 A.M.	
Aug. 13—Lv. Trinidad.....	7.55 P.M.	
Aug. 13—Ar. Las Vegas.....	12.30 P.M.	
Aug. 13—Lv. Las Vegas.....	1.15 P.M.	
Aug. 13—Ar. Albuquerque.....	5.30 P.M.	
Aug. 13—Lv. Albuquerque.....	6.30 P.M.	
Aug. 14—Ar. Grand Canyon.....	8.00 A.M.	
Aug. 14—Lv. Grand Canyon.....	7.00 P.M.	
Aug. 15—Ar. Barstow.....	8.00 A.M.	
Aug. 15—Lv. Barstow.....	8.30 A.M.	
Aug. 15—Ar. Los Angeles.....	1.30 P.M.	
Aug. 15—Lv. Los Angeles.....	11.59 P.M.	
Aug. 16—Ar. San Diego.....	7.00 A.M.	
Aug. 16—Lv. San Diego.....	8.30 P.M.	
Aug. 17—Ar. Bakersfield.....	8.15 A.M.	
Aug. 17—Lv. Bakersfield.....	9.00 A.M.	
Aug. 17—Ar. Merced, Cal.....	12.55 P.M.	
Aug. 17—Lv. Merced, Cal.....	1.30 P.M.	
Aug. 17—Ar. San Francisco.....	6.05 P.M.	

Schedule from New York.

Henry R. Kinsey, the New York member of the Transportation Committee, reports:

"Eastern delegates will leave New York, Pennsylvania Station, 2.04 p. m., Tuesday, August 10th. We will have with us Boston, Providence, Hartford men, and shall probably leave New York with two special cars which, I understand, will be connected right on the special train at Chicago, so that there will be no change of cars from New York to San Francisco. We will pick up, en route, Philadelphia, Washington, Baltimore, Pittsburgh and other Southern and Pennsylvania chapters.

"We arrive at Chicago 5.00 p. m. on August 11th and leave there on special train via C. B. & Q. R. R. at 6.00 p. m., arriving at Kansas City on Thursday, August 12th, at 8.00 a. m.

"Leave Kansas City via A. T. & S. F. R. R. at

2.30 p. m., arriving at the Grand Canyon in Arizona at 7.30 a. m., Saturday, August 14th.

"Have breakfast, lunch and dinner at the Hotel El Tovar and spend the day visiting the points of interest around the Grand Canyon, leaving there at 7.00 p. m. and arriving at Los Angeles, Sunday, August 15th, at 1.13 p. m., spend the afternoon and evening there and leave at 11.59 p. m. for San Diego, arriving at San Diego, Monday, August 16th, at 7.00 a. m.; spend the day at the fair at San Diego and leave at 9.00 p. m., arriving at San Francisco, Tuesday, August 17th, at 5.00 p. m.

"Return from San Francisco will be on the individual basis and an attempt will be made to have at least twenty-five return in a body to insure a private car, returning by the way of Salt Lake City, five-day stop at Yellowstone Park, Denver, Colorado Springs and Chicago.

"The up-State and northern Ohio chapters will go via New York Central lines, leaving Albany and points west on August 10th, so that they may arrive at Chicago in time to leave on the 'Special' with us.

"The return route from Chicago for those that take the Pennsylvania may be arranged over any other route, allowing those who wish to stop over at Cleveland, Buffalo, and Niagara Falls, or wherever they may wish to stop."

TRADE EXPANSION AND THE EUROPEAN WAR

Edward A. Filene, of Boston, in an address at the annual meeting of the Chamber of Commerce of the United States, summarized the necessities of the foreign trade situation as follows:

1. A method by which we may help make more certain a settlement of the war on a basis which will not leave the world an armed camp with ever-increasing armaments, but which will result in a more lasting peace and be a basis for the greater and more permanent prosperity of the inhabitants of the warring countries, thus increasing and not diminishing the buying power of the world.

2. The necessity of just and staple conditions of ocean transport, and a possible method to insure them.

3. That a very important part of the pioneer work for trade expansion must be done by American banks and bankers. If they are willing to take the risk of such pioneer work they are entitled to the practical support of our business men and of our government.

4. A type of new machinery by which national trade organizations can very greatly increase the power of all their members to acquire foreign trade.

5. An improved instrument which will insure to foreign buyers that they will get the goods they have ordered at the time they have ordered them, or else a substantial indemnity.

6. Finally, I have indicated a quality stamp which will give to the ultimate consumer assurance that the American goods he buys with this stamp are reliable and trustworthy.

PROTECTIVE DEPARTMENT

L.W. GAMMON

OFFICES OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

ALABAMA, BIRMINGHAM.—Brown-Mars Building.
CALIFORNIA, LOS ANGELES.—Walter P. Story Building.
CALIFORNIA, SAN FRANCISCO.—First National Bank Building.
COLORADO, DENVER.—First National Bank Building.
ILLINOIS, CHICAGO.—Transportation Building.
LOUISIANA, NEW ORLEANS.—Whitney Central Building.
MARYLAND, BALTIMORE.—Munsey Building.
MASSACHUSETTS, BOSTON.—201 Devonshire Street.
MICHIGAN, DETROIT.—Dime Savings Bank Building.
MINNESOTA, MINNEAPOLIS.—McKnight Building.
MINNESOTA, ST. PAUL.—New York Life Building.
MISSOURI, KANSAS CITY.—Midland Building.
MISSOURI, ST. LOUIS.—704 Tith Guaranty Building.
NEW YORK, BUFFALO.—White Building.
NEW YORK, NEW YORK CITY.—Woolworth Building.

MANAGER

OHIO, CLEVELAND.—Swetland Building.
OREGON, PORTLAND.—Yeon Building.
PENNSYLVANIA, PHILADELPHIA.—New Stock Exchange Building.

PENNSYLVANIA, PITTSBURGH.—Commonwealth Building.
TEXAS, HOUSTON.—Union National Bank Building.
WASHINGTON, SEATTLE.—Hinckley Block.

FOREIGN OFFICES OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

CANADA, MONTREAL.—501 Transportation Building.
ENGLAND, LONDON, W.—Crown Chambers, 5 Regent St.
FRANCE, PARIS.—16-17 Rue Auber.
BELGIUM, BRUSSELS.—4 Passage des Postes, No. 6 Boulevard Anspach.

CORRESPONDENT OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

IOWA, DES MOINES.—The Gus. J. Patek Detective Agency,
515 Mulberry Street.

Report of Protective Department Work During the Month of February

Watch Out for Sneak Thieves and Stolen Currency—How Four Men Took Ten Thousand Dollars from a Brooklyn Bank—Warnings and Arrests—Items of General Interest.

About noon on Tuesday, February 9, 1915, ten thousand dollars (\$10,000) in currency was stolen from the teller's cage of a prominent bank in the city of Brooklyn, N. Y. It is believed that four men, described as follows, are directly responsible for the disappearance of this money:

No. 1.—Age, 22 years; height, 5 feet 6 inches; weight, 130 pounds; smooth shaven; long face; Italian or Jewish features; wore dark gray overcoat, dark fedora hat, dark shoes with gray cloth uppers.

No. 2.—Age, 23 years; 5 feet 8 inches in height; weight, 145 pounds; dark complexion; smooth shaven; sharp English features; wore long blue overcoat, dark derby hat.

No. 3.—Age, 24 years; 5 feet 8½ inches in height; 150 pounds in weight; medium dark complexion; smooth shaven; sharp features; wore brown and gray mixed balmacaan overcoat.

No. 4.—Age, 28 years; 5 feet 10 inches in height; 170 pounds in weight; well built; light, ruddy complexion; light hair, blue eyes, long face, large nose, prominent chin; probably German or Swede.

All of these men were well dressed and of good appearance. The money stolen consisted of five thousand dollars in new fifty-dollar silver certificates and five thousand dollars in new one hundred-dollar silver certificates. These men, whose descriptions are above given, were seen in the bank near the paying teller's cage previous to the disappearance of the money. It has been the custom of sneak thieves to loiter in the lobby of a bank near the tellers' cages for a considerable length of time preceding a robbery, and it is requested that should any strangers answering the descriptions given above be seen

in your banking rooms, that they be kept under close surveillance, without attracting their attention. Should a bill of these denominations be offered by a stranger requesting change for same, it is also requested that such stranger be detained under pretext until a police officer or representative of our detective agents can interview him. Any information concerning the above that any of our readers may be in possession of will be appreciated if forwarded to us with as little delay as possible.

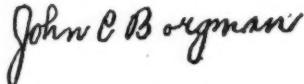
WARNINGS.

FRANK AMBRUSCH, also known as Frank Michel and Bert Cosly, recently defrauded a member at Warsaw, N. Y., by means of a forged check. He is about 30 years of age, 5 feet 8 or 9 inches in height, 160 pounds in weight, medium build, medium complexion, blue eyes, light chestnut hair, smooth shaven, and speaks with a strong German accent.

On February 8, 1915, a man representing himself to be R. BELL secured \$100 from a bank member at Laramie, Wyo., on a check drawn on the First National Bank of Newton, Kan. His method is to buy some business, and in this instance he went to the owner of a garage in Laramie, looked the place over carefully, and agreed to pay the price asked and gave a check on the First National Bank of Newton, Kan., for \$500 to bind the bargain. He then had the garage owner introduce him at the bank, which the garage owner did. Bell rented a safety deposit box, paying one year's rent in advance, and in this way got into the good influences of the bank officials. Bell is described as: Height, 6 feet; weight, 150-160 pounds; medium build; complexion, light; beard, smooth shaven; peculiarities, has three or four gold crowns on front upper row of teeth, which are very prominent when he smiles. Has with him a very fine-looking, stylish woman, whom he claims to be his

wife. Instead of stopping at a hotel, he usually looks for a private room or boarding house. Warrant is held for Bell's arrest by the sheriff at Laramie, Wyo.

JOHN C. BORGMAN, alias J. C. Martin, cashed worthless checks at two member banks in Kansas City, Mo., on February 15, 1915. The checks were each for \$25 and drawn on a third member bank. The tellers who cashed these checks do not recall the transactions very distinctly and the best description that can be obtained of Borgman is: About 30 or 35 years of age, 5 feet 7 or 8 inches in height, 170 pounds in weight, rather heavy build, and wore a blue serge suit of clothes. A specimen of his handwriting is shown below.



A membership bank of Bowdon, Ga., found itself the loser in the sum of \$36.85 when the account of one of its customers was balanced recently, and a check for this amount, made payable to J. D. BRAZEL and cashed November 21, 1914, was pronounced a forgery. So long a time had elapsed since the transaction that no description of the forger is remembered by the teller.

A. C. BROWN, also known as C. B. Allen, a public accountant claiming to be in the employ of the Standard Audit Company of Atlanta, Ga., recently passed several forged checks in Savannah, Ga., through which a member of that city was later defrauded. Brown claims to hail from Cincinnati, Ohio, and was seen to purchase a ticket for that city in Columbia, S. C., on February 7th. He is 45 years of age, 6 feet, 175 pounds, dark hair, turning gray, gray eyes, smooth shaven, left leg crippled, limps. His face and hands have large white blotches on them. Any information forwarded to this Association relative to this man's whereabouts will be appreciated.

Through his acquaintanceship with an official of a bank at Los Angeles, Cal., G. CHARLES BULLEN succeeded in having a worthless check cashed. G. Charles Bullen recently went into a member of this Association at the city above named and, on being recognized by one of its officials, Bullen approached him and in a confidential manner requested the bank man to cash his personal check. The cash was readily given to Bullen and the check later forwarded to the German-American Trust and Savings Bank of Los Angeles, on which institution it was drawn. Shortly thereafter the obliging bank official received the check through the exchange, with the notation that it was entirely worthless. Bullen's account at the German-American Trust and Savings Bank had long since been exhausted. Bullen is believed to be in the auto truck business and until recently has been living at San Diego, Cal. He is about 45 years of age, 5 feet 4 or 5 inches in height, 145 pounds in

weight, florid complexion, short, heavy set. A sample of his handwriting is shown below.



On January 22, 1915, a man giving his name as HARRY CRAWFORD entered a member bank in the city of Seattle and defrauded it out of a sum of money by means of a bogus check. He then left and visited different merchants in the same city, handing out his bogus checks to all who would accept them. He has also used the names H. E. Gates and Harry Wolfe. He is said to be 28 to 30 years of age, 5 feet 6 inches in height, 140 pounds in weight, medium build, broad shoulders, medium sallow complexion, black eyes, black hair, gold tooth upper row; is a grocery clerk by occupation.

W. P. DAVIS is still operating with his forged checks and very recently he succeeded in defrauding two hotels at Lake Charles and Alexandria, La. He will undoubtedly stay in that section of the country and it would therefore be well for member banks directly concerned to fully bear this man in mind. He has on other occasions given the names of William Price Davis and W. Price Davis. A good description of him is: 35 to 40 years of age, 6 feet high, 180 pounds, dark complexion, dark sack suit, dark hat, well dressed and bears a gentlemanly appearance. The California Bankers Association is co-operating with this Association in endeavoring to bring about the arrest of Davis.

A member bank at Lewiston, Mont., has taken out a warrant for MIKE FINNAN, charging him with forgery. Finnан is 28 years of age, 5 feet 8 inches, weighs 140 pounds, slender, blue or gray eyes, brown hair; speaks with distinct Scotch-Irish accent; rancher or miner by occupation.

On February 13, 1915, A. J. FOX, described as: Age, 23; height, 5 feet 10 inches; weight, 145 pounds; build, slender; complexion, dark; beard, smooth shaven, defrauded a bank member of Denver, Colo., by means of a check drawn on the printed form of the L. J. Smith Contracting and Construction Company to the First National Bank of Denver, Colo., signed L. J. Smith Railroad Contracting and Construction Company by L. J. Smith. The L. J. Smith Company has headquarters in Kansas City, Mo., and in all probability these checks were secured by Fox in St. Louis, Mo., where he had them printed, as they bear no resemblance to the regular check used by the L. J. Smith Company. It also appears that Fox operated in St. Louis during the latter part of January, 1915, and is evidently headed toward the coast. All banks in western States are particularly warned against this man's operations. Besides defrauding the bank in Denver, he also defrauded a number of the local merchants by using the same checks, all drawn in the amount of \$30 each. A warrant is held for his arrest by the Denver authorities.

INCLUDING BULLETIN OF THE AMERICAN INSTITUTE OF BANKING

On January 16, 1915, a man giving the name R. E. GRIFFIS entered a member of this Association at Kansas City, Mo., and opened an account with the bank by depositing a check for \$635, payable to R. E. Griffis, signed William Bryan and drawn on the First National Bank, Kansas City, Mo. Griffis was then given a check and pass book. Upon receipt of these he immediately made out a check for \$235 and went to the paying teller and endeavored to have it cashed. He was refused cash on it for the reason that they must have returns on the check which he had first deposited. Griffis left the bank, and shortly thereafter the First National Bank of Kansas City returned his check with the notation that it was entirely worthless. Griffis is about 35 years of age, 5 feet 8 inches tall, 145 pounds in weight, slender build, dark hair and complexion, smooth shaven, fairly well dressed. A specimen of his handwriting is shown below.



A member at Chicago, Ill., recently accepted a check for deposit from one I. HANSEN, who later drew against same. It was then learned that Hansen's check was purely a bogus one. He is said to be 35 years of age, 5 feet 10 inches in height, 160 pounds in weight, fair complexion, light hair, plain dresser; states that he is a painter and decorator by occupation. We are endeavoring to have this man located.

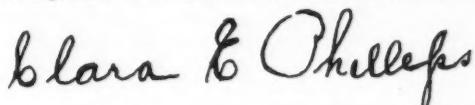
A member of this Association at Los Angeles, Cal., recently accepted a check from a man giving the name HARRY HARRIS, which check purported to bear the signature of one of the bank's customers. Harris was asked to endorse the check, which he readily did, and he was given the money. When the check was later forwarded to the depositor he emphatically stated that the signature which it bore was not his and that he knew no Harry Harris. The endorsement that Harris placed upon the check is reproduced below. The California Bankers' Association is co-operating with this Association in the endeavors to bring about the arrest of this operator.



The Sheriff at Red Lodge, Mont., holds a warrant for the arrest of W. H. HOUGH, former president of the Bridger State Bank, Bridger, Mont., who, it is stated, is wanted for forgery, having forged the signatures to guarantees and time certificates of deposit and for miscellaneous appropriation of funds in connection with the recent failure of this bank. This man formerly made his home at Pierce, Neb. He is said to be 45 years of age, 5 feet 9 inches in height, 140 pounds in weight, slender build, thin dark hair, tinged with gray, slightly stooped figure, and is in poor health.

MISS VIRGINIA KEYROUSE called on a member in New York City recently and tendered for payment a check which she claimed had been given her by one of the bank's depositors. The paying teller noted some irregularity in the signature appearing on the check and had the depositor come immediately to the bank. It was then learned that this depositor had not written the check. Our Detective Representatives interviewed Miss Keyrouse, who endeavored to offset suspicion, but it was easily determined that she was responsible beyond all doubt for the forging of the check which she had presented, under the name of Miss Natelle, to the member bank. She is 23 years of age, 5 feet 6 inches in height, 138 pounds in weight, dark complexion and dark chestnut hair, dark brown eyes, and is of Syrian descent.

Banks on the Pacific Coast have recently given cash on checks presented by CLARA W. PHILLIPS, which checks bear the printed name of Dixon L. Phillips, Attorney at Law, Room 211-212, Security Building, Oakland, Cal., and are drawn on the Security Bank of Oakland. Through an investigation it has been learned that these checks were stolen. Recently a bank member at Pasadena and another at Long Beach, Cal., were approached by this woman, who is also known to have used the names Clara E. Phillips and "Kahn." Her checks were made out in the sum of \$90 and she had cleverly forged the name of this attorney to them. The cash was given to her, and consequently the banks stood to lose the amounts of the checks. Our Detective Representatives are endeavoring to cause the apprehension of this woman, and toward this end the California Bankers' Association has co-operated with this Association. Clara W. Phillips is said to be 35 to 40 years of age, 5 feet 5 inches in height, 125 pounds in weight, dark eyes, brown hair, olive complexion, wore light brown tailor-made suit, and has a general retiring appearance. Any information forwarded to us relative to the whereabouts of this woman will be appreciated by us. We reproduce a sample of her signature below.



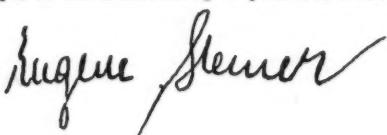
On January 2, 1915, a man using the name R. S. ROSS presented a check for \$378 to the teller of a membership bank in Columbia, S. C., bearing a poor imitation of the signature of an attorney who is one of the bank's customers. With the check was also presented a letter asking the teller to oblige the attorney by cashing the check for the bearer, which was done. It was learned that twenty-seven checks had been stolen from the attorney's unlocked office the day previous. Ross is described as 25 years of age; height, 5 feet 8 inches; hair and complexion, dark. He wore a dark brown suit.

CHARLES W. SHARP, alias George Darlington, etc., is reported to be still active and succeeded in defrauding several hotels during the past thirty days by representing himself as traveling for Fetter's Hot

Springs, Sonoma, Cal., and cashing checks purporting to be issued on special form of Fetters Hot Springs, drawn on a bank at Sonoma, Cal. See JOURNAL-BULLETINS, July, 1912, page 32; November, 1912, page 319; April, 1913, page 674; July, 1914, page 42; September, 1914, page 171; November, 1914, page 309, and January, 1915, page 498.

A. R. SLOAN, also known as "Bryan," a traveling shoe salesman by occupation, defrauded a membership bank of Houston, Tex., by means of a bogus check, in addition to defrauding numerous individuals by the same means. He is 30 years old, 6 feet, 185 to 190 pounds, light hair and eyes, athletically inclined.

Taking possession of a letter which lay unclaimed at the hotel desk, EUGENE STEINER is stated to have opened same, extracted a check therefrom, forged the endorsement of the party to whom this check was made payable, and then carried the check to a member bank in the city of Los Angeles, Cal., where he readily secured the money that it called for. Steiner is a Hebrew and is said to be a traveling salesman. Investigation proves that he has deserted his wife and child and left Los Angeles with another woman. He is perhaps 40 years of age, 6 feet tall, 180 to 190 pounds in weight, brown eyes, black hair, smooth shaven, wore black suit and green telescope hat. This Association and the California Bankers' Association are co-operating in the endeavors to bring about the apprehension of Steiner. A sample of his handwriting is produced below.



An effort is now being made to locate and cause the arrest of C. L. STEMPER, formerly connected with the Post Office Department in the city of Youngstown, Ohio. It is stated that this man swindled a member of Youngstown out of \$105 by means of a forged check. He is 42 years of age, 5 feet 11 inches, 150 pounds, slender build, one finger off at first joint of left hand.

Our Detective Representatives are endeavoring to apprehend a party using the name of J. E. THOMPSON, who defrauded a member of Houston, Tex., by means of a forged check, using the name of a depositor of this bank to further his ends. This man has made a practice in the past of visiting doctors' offices, rifles their desks, obtains a canceled check as a specimen, and then takes blank checks from the doctor's check book, and cuts the telephone wire before leaving his office. He is 36 years of age, 140 pounds, 5 feet 7 inches, and dresses in dark clothes.

San Pedro and Pasadena, cities of California, recently witnessed the advance and immediate retreat of ADA TAWBER, a forger of note. This woman had scarcely arrived in these cities when she

had called up member banks in each place and had secured sums of money from them on bogus checks. She hurriedly left and is now believed to have gone to Kansas City, Mo. She is known to have used the names Marie Smith, Margaret St. John, Carrie Lorman, Anna O'Connor, Maude Wallace, and Anna Smith to further the ends of her operations. Articles appear on page 227 of the October, 1914, JOURNAL-BULLETIN, 320 of the November, 1914, JOURNAL-BULLETIN, and 405 of the December, 1914, JOURNAL-BULLETIN. A specimen of her handwriting is reproduced below.

*Mrs. Marie Smith
230 Lake Av.*

On January 27, 1915, a man presented a check to a bank member in Franklin, Pa., amounting to \$72.26, which check he had stolen from another man and had forged the latter's endorsement. An investigation was immediately started by the Pittsburgh Office of our Detective Agents and it was ascertained that OTTO VON SCHLEINITZ, alias Otto Von Steinitz, was responsible for the forgery, and efforts are being made to locate him. This man served four months in the County Jail at Meadville, Pa., for forgery during 1914. He is described as follows: Age, 50 years; height, 6 feet; weight, 200 pounds; build, heavy, well proportioned; complexion, light; hair, light brown; style of beard, brown mustache, curled at ends, vandyke beard; peculiarities, wears thick nose glasses, speaks with German accent; dress, soft brown hat, brown raincoat, large diamond cluster tie pin.



D. B. WHITESIDE.

A worthless draft passed by D. B. WHITESIDE, recently, was instrumental in the loss of \$250 to a member of this Association at Tulsa, Okla. It is believed that this man is at some point near South Hamilton, Ontario. He is said to be 55 years of age, 6 feet 2 or 3 inches in height, 190 or 200 pounds in

weight, slender but well built, light complexion, light brown hair, blue or gray eyes, usually wears heavy red mustache. Any information forwarded to us as to this man's whereabouts will be appreciated. His photograph is above reproduced.

SIDNEY WOODHOUSE succeeded in defrauding a bank member of Hillsboro, Ore., by means of a check to which he forged the name of his father, H. L. Woodhouse. Investigations made by our Detective Agents of this man disclosed the fact that he was arrested in Portland, Ore., for defrauding a great many merchants, placed on trial, and pleaded guilty, but on account of his youth he was immediately paroled, and has since gone to Pasadena, Cal., at which place the above mentioned check was cashed. He is believed to still be in the vicinity of Pasadena. Sidney Woodhouse is described as 22 years of age, 5 feet 6 inches tall; weight, 130 pounds; build, medium; complexion, dark; hair, black; eyes, dark; dress, stylish—good dresser; occupation, electrician; peculiarities, fond of dancing and fast female society. The Oregon Bankers' Association is co-operating with this Association in this matter.

GENERAL.

WARN YOUR DEPOSITORS to be on their guard against a man who claims to be a lieutenant in the United States Army and who will tender bogus certified checks in return for purchases made. During the past month he has succeeded in defrauding another merchant in the town of Baltimore, Md. In a pleasant manner he approached this merchant, purchased some furniture, stating that he was Lieutenant P. B. Fleming of the U. S. Army, and then tendered a check drawn on the Second National Bank of Orange, N. J. The check was accepted and later returned, marked "No funds." This man has now been operating since September, 1914, and the records of our Detective Agents show that the list of victims he has secured is indeed an exceedingly large one. These records show that this man has on different occasions used the names LIEUT. RICHARD WAINWRIGHT, Jr., J. C. HENNING, C. R. P. ROGERS, CAPTAIN RUSSELL, MONTGOMERY MILNE, and others. He is of English birth and relates that he is connected with the army's engineer corps. He is 28 years of age, 5 feet 7 inches in height, 140 pounds in weight, medium build, dark complexion, dark brown hair, and wears a small stubby mustache. His numerous bogus certified checks have been drawn on the First National Bank of Boone, Ia., the Mt. Vernon Trust Company of Mt. Vernon, N. Y., and the Second National Bank of Orange, N. J. The handwriting which appears on all of his checks will be similar to the sample reproduced below.

Lieut. P. B. Fleming Wmny

The attention of the Portland Office of our Detective Agents has been called to a warning notice, sent out by the Chief Post Office Inspector, calling attention to the fact that the United States Postal Money Orders are now being counterfeited, and also

that this is the first time this has been attempted. The color of the paper used for these counterfeits is a little darker blue than the regulation color, and the paper is a little coarser. This counterfeit paper has as its watermark a narrow stripe running through it, whereas the genuine has the following watermark, "U. S. Postal Money Order." A man answering the following description cashed these orders at Pittsburgh, Pa., recently: Age, about 35 years; height, 5 feet 10 inches; complexion, light, and bearing a strong resemblance to a Swede or German. He entered a jewelry store and purchased a \$12 watch, tendering in payment therefor a money order for \$54.50. A man, operating in Chicago, Ill., is described as being about 5 feet 8 inches tall; build, medium; complexion, fair; hair, medium dark; teeth, poor, gold in upper front teeth; speaks with foreign accent; has a small bald spot on back of head; smooth shaven or short sandy mustache; wears gray overcoat and derby hat. Appearance of bookkeeper or traveling salesman. Banks are therefore warned to be on the lookout for these counterfeits, and in the event they should recognize the parties whose descriptions are given above, or secure information tending to establish the identity of the counterfeitors and forgers, kindly notify their Postmaster or the nearest office of our Detective Agents by wire.

About 1.30 p. m. on January 26, 1915, two clerks on duty at a non-member bank at Houston, Tex., were suddenly confronted by a man with drawn revolver, who forcefully demanded that they enter the vault. While they were within its confines, this man, whom it was later learned is JOHN BOWMAN, alias Bowen, gathered up some \$5,000 in currency and hastened from the bank. He was joined by two others who endeavored to keep the city detectives who had been summoned at bay. In the pistol duel that followed, each of the hold-up men were injured, and consequently taken into custody. Bowman's companions, with the assistance of our Detective Agents, were identified as FLOYD NOLAN, alias Ed. Clifford, alias John Doe, and ART AUSTIN, alias Street Austin, alias K. Harmam, alias Louis McKay. The stolen money was recovered. These men are at present held awaiting trial.

LOSSON BAGWELL, described as about 20 years of age, 5 feet 5 inches tall, weight 150 pounds, farm hand by occupation, recently forged the name of his previous employer to some checks drawn on a membership bank at Hominy, Okla. Bagwell cashed these forged checks at different business houses in Hominy.

On January 22, 1915, a bank member in Fredericksburg, Va., cashed a check for \$52 which purported to be drawn by James P. Brady on a bank member in New York City, and which was made payable to FRED A. BRADLEY. The man who cashed the check gave his name as Fred A. Bradley, and later, when the check had been proven bogus, it was discovered that Bradley had left Fredericksburg immediately after cashing this check. Bradley is said to be about 25 years of age, 125 pounds in weight, 5 feet 4 inches in height, gray eyes, brown spot in left

eye, dark hair, pompadour style; wore black suit, black shoes, gray overcoat and gray cap. He was accompanied by one J. A. Evans, who is about 30 years of age, 5 feet 8 inches tall, 160 pounds in weight, dark hair and complexion.

Several business houses in Kansas City, Mo., have filed warrants for the arrest of C. C. BRONSON, who, they claim, passed forged checks upon them. Bronson was employed at one time by Mr. F. W. Moore, and to the checks which he recently gave out this man's name was forged to same. Bronson is said to be 35 years of age, 5 feet 10 inches tall; complexion, dark; hair, dark; eyes, dark; smooth shaven, but would have heavy dark beard if allowed to grow. He has a small hollow on his right cheek, which he claims was caused by a bullet received during the Spanish-American War.

On January 29, 1915, FRED COLEMAN was taken to the Minnesota State Prison to serve an indeterminate sentence, having pleaded guilty to the charge of forgery. This individual is mentioned on page 501, January, 1915, JOURNAL-BULLETIN.

A member bank at Bottineau, N. D., reports they are anxious to locate one C. K. DAVIS, who jumped his bail while awaiting prosecution for forgery. He was formerly agent to the Fidelity Mutual Life Insurance Company of Philadelphia.

COSMOS DORATAS recently defrauded a bank member at Claremont, N. H., through the medium of a forged check. Investigation developed the fact that Doratas, while in the employ of a customer of bank member, secured a check book and stole three blank checks, later forging the name of customer to same, one of which he cashed at the bank. A warrant for this party's arrest is in the hands of Chief Cole of Claremont, N. H. No description is available at this time.



C. C. EDWARDS.

Stating that he was the Eastern Sales Agent of the American Machine and Foundry Company, C. C. EDWARDS, whose photograph is above reproduced,

recently succeeded in defrauding a merchant at Rochester, N. Y., by means of a bogus check for \$100.50, which check was drawn on the Chase National Bank of New York City. The merchant learned only too late that this man nor the firm whom he claimed to represent carried no account with this bank. A short while after the above information was received, our Detective Representatives were advised by the Rochester police that they had arrested Edwards and were holding him in the County Jail. It was also stated that at other times this operator had used the name of "Peyton" and that he also claimed to represent the Maxwell Sales Motor Company. He is said to be 28 to 30 years of age, 5 feet 5 inches in height, 160 pounds in weight, medium build, blue eyes, light hair, ruddy complexion and smooth shaven face. Wore a diamond ring. H. C. Maynard, R. C. Warner, W. G. Newman and James Simpson are names that we believe this man has operated under in the past.

P. W. Hall, Secretary of the Iowa Bankers' Association, reports that a man using the name H. H. DUNHAM has succeeded in defrauding a member of their Association by means of a bogus check. Dunham was traced to Louisville, Ky., and at this city it was learned that he had secured other victims with his worthless paper. He is said to be 40 years of age, 6 feet, 150 pounds, slender build, dark brown hair, black eyes, smooth face, narrow, sharp features. The Iowa Bankers' Association is desirous of having this man apprehended. There is a warrant in the hands of the police authorities at Ames, Ia., for his arrest.

On January 27, 1915, one ROBERT HOLBROOK, aged 45 years, pleaded guilty to passing a forged check for \$10 on a membership bank at Evansville, Ind., on January 22d, and was given a sentence of from two to fourteen years in the State prison.

F. J. HATHAWAY, a former depositor of a Brookline, Mass., bank member, defrauded that institution through the medium of bogus checks. Hathaway, after closing his account some time ago, recently entered the bank on a busy morning and, insisting that he still had an account with the bank, deposited two checks of considerable size, both of which were drawn on out-of-town banks, then presented two more checks drawn on the above member, asking that same be cashed against the account of the check deposit. It was later determined that all checks involved in the transaction were bogus and that Hathaway had left the vicinity. Hathaway poses as an advertising specialist, usually working in small towns, where, through the medium of prize contests, he endeavors to increase the circulation of country newspapers. Latest reports indicate that Hathaway is in Canada, in the vicinity of Montreal and Quebec. This party is described as: Age, 38 years; height, 5 feet 11 inches; weight, 140 pounds; build, slender; style of beard, smooth shaven; hair, black; complexion, dark; peculiarities, stoop-shouldered; dress, wore dark suit, heavy brown overcoat, black derby hat.

INCLUDING BULLETIN OF THE AMERICAN INSTITUTE OF BANKING

Hotels and tradesmen in Philadelphia, Pa., have recently accepted small checks from a man giving the names HERBERT HOPE and F. E. Fewood. These checks were drawn on the Tradesmen's National Bank at Philadelphia. Herbert Hope is said to be 35 years of age, 5 feet 10 or 11 inches in height, 165 pounds in weight, medium complexion, medium hair; nose might be classified as Roman.

The Riverside Realty Company of Pittsburgh, Pa., is the firm that J. W. KIRBY, a passer of worthless checks, claims to represent. He also has stated that he is a horse buyer from Columbus, Tex., to further the ends of his operations. Recently he has visited the towns of Baltimore, Md., and Wabash, Ind., where he was in each instance able to secure money on his worthless checks. Kirby is said to be 30 years of age, 5 feet 10 inches in height, light complexion, light hair, smooth face; Southern accent in speech; claims Texas as his home town; wears straight brim Stetson hat. Wichita, Kan., also claims that Kirby has paid them a swindling visit. Sample of his handwriting is reproduced below.



On February 3, 1915, a bank member in Strasburg, Va., cashed a check drawn on a bank in Amherst, Ohio, which was signed PROFESSOR HENRY LAWRENCE. The check was returned to the bank at Strasburg with the notation that Professor Henry Lawrence carried no account in their bank. This man is of peculiar characteristics. He wore a black suit, low full dress vest, and slouch hat. He has sparse light hair, large nose, lean and lanky form, loose joints, putty colored complexion, and has several marks on his face. He claims to be a magician.

Stating that he was in the confectionery business and that he had concessions to sell candy in several theatres, an individual who signed himself as GEORGE B. LEVEE called at a member bank in New York City recently and opened an account by depositing a \$500 draft on the First National Bank of Chicago. Not many hours had passed before inquiries were received by this member bank from large department stores in New York, who stated that Levee had applied to them for credit and gave their bank as reference. The member bank then received a telegram from the bank in Chicago and this message informed them that Levee at one time had an account in their bank, but at the present his funds in their institution were totally exhausted. Levee is said to be 30 to 35 years of age, 5 feet 6 inches in height, 145 pounds in weight, dark complexion and dark hair; at times wears glasses and usually dresses in dark clothes. He bears a very genteel appearance.

J. W. LEWIS, also known as J. W. Hayes, J. W. Doyle, J. W. Wright, J. W. Hunt, J. W. Starr, J. W. Stein, J. W. Welch, of whom mention is made in the JOURNAL-BULLETIN of January, 1915, page 504,

has been arrested at Kalhaska, Mich. A Miss Anna Mordaunt, employed in a laundry in that city, who had read one of the circulars sent out regarding Lewis, observed his name on the laundry that he sent to her, and she immediately notified the police. Lewis was returned to Crystal Lake, Ill., to be prosecuted on the charge of forgery.

A membership bank at St. Louis, Mo., reports a suspected attempt to defraud them by one BURT MINER, also known as Charles Morgan. This party opened an account at the bank and several weeks later presented his book, showing there was a balance due him of \$25; however, upon looking closely at the book, it was easily seen that acid had been used in eradicating the last two withdrawals, and in reality the balance was but 25 cents. This man is described as: Age, 30 years; 5 feet 10 inches tall; weight, 145 pounds; slender build, dark complexion, dark hair and eyes.

A bank member at Detroit, Mich., reported on January 27, 1915, that a party using the name R. B. MORRIS is passing worthless checks drawn on their bank, using a printed form other than the one which is used by the bank. This man has been operating in the vicinity of Bradford, Pa. The checks are supposed to be signed by the Cadillac Life Insurance Company, H. W. Leonard, Treasurer.

JAMES MYERS, age, 35 or 40 years; height, 5 feet 10 inches; weight, 175 pounds; complexion, dark, sallow; hair, dark; large face; farmer by occupation, recently swindled several business houses at Sedalia, Mo., by means of worthless checks drawn on a membership bank at that point, Myers having no funds in the bank to cover same. It is thought this man has gone to Oklahoma, and member banks in that territory should be on their guard against him. Myers claimed to have come from Minneapolis to Sedalia, and on arrival there deposited a draft in the sum of \$1,400, drawn on a Minneapolis bank, which draft proved to be worthless.

On December 28, 1914, a party using the name of CHARLEY F. NELSON succeeded in defrauding a bank member at Palouse, Wash., on a forged check in the sum of \$10. His method of operating was to write to a bank, advising them that he had a substantial amount of money coming to him from an estate in Sweden, and asking the bank if they would endeavor to make a collection for him. The bank would, of course, acknowledge receipt of his inquiry, and Nelson would then use the letter in obtaining the confidence of his victims. No description of this party is available.

Merchants in the city of Minneapolis, Minn., have recently been defrauded by one O. D. NORTON, who has passed out forged checks drawn on the First National Bank of that city. He has also used the name Henry Larson in his operations. He is 45 years of age, 5 feet 8 inches, 160 pounds, sandy hair and light mustache.

Members are warned to be on the lookout for a man representing himself as THOMAS O'BRIEN, who recently defrauded a membership bank of Denver, Colo., by means of a forged check. O'Brien's description is as follows: Age, 35; height, 5 feet 9 inches; weight, 220; build, heavy; complexion, florid; hair, sandy; smooth shaven; medium dresser; round, full face. There is a warrant for this man's arrest at Denver, Colo.

On February 18, 1915, JOHN P. OGLE, alias M. M. Moreland and George B. Krandall, was sentenced to from four to fourteen years, with a recommendation of five years, in the Jackson State Prison, Jackson, Mich., from Detroit, Mich. This man was reported on page 596 of the February, 1915, JOURNAL-BULLETIN as having raised a cashier's check from \$5 to \$5,000.

Banks at Byron and Brooklyn, Mich., report that a man using the names F. H. PARRENT, C. H. Reed, C. H. Weber and C. H. Webster is passing out worthless checks on the paper of their banks. Parrent is described as 48 years of age, 5 feet 8 inches, 170 pounds in weight, sandy complexion, left hand has thumb and two fingers amputated. He is reported on page 597 of the February, 1915, JOURNAL-BULLETIN.

LOUIS M. PINKS recently defrauded individuals at Boston and New York through the medium of bogus checks drawn on a Boston bank member. Our Detective Agents at Boston, Mass., upon investigation secured the check book from which the checks had been drawn, but Pinks is still unapprehended. Louis M. Pinks is described as: Age, 22 years; height, 5 feet 8 inches; weight, 140 pounds; build, slim; complexion, dark; style of beard, smooth shaven; small black mustache; hair, dark; nationality, Hebrew; nativity, Boston, Mass.



SAMUEL PORTER.

The man whose photograph is above reproduced was arrested by the police authorities of Passaic, N. J., on February 6, 1915, and charged with having passed two bogus checks drawn on a member bank of Brooklyn, N. Y. A blank check book of this bank was found in his possession. To these checks Porter forged the name of one Joseph Rosenberg of Pas-

saic, but it was learned that Rosenberg carried no account in the member bank above referred to. Porter pleaded guilty to the two charges of forgery lodged against him on February 11, 1915, and sentence was deferred until a later date. He is said to be 29 years of age, 5 feet 10 1/4 inches in height, 158 pounds in weight, dark brown hair, blue eyes, fair complexion, born in New York City, and is a canvasser by occupation.

Members should be on the lookout for one FRANK L. POINTER, who recently attempted to defraud a member bank in Denver, Colo. Pointer is described as: Age, 28; height, 6 feet; weight, 175; complexion, medium; hair, medium light; smooth shaven; good dresser; when last seen wore black overcoat. He is drawing checks on the Aetna State Bank of Chicago, Ill., signed by Max Lau, made payable to himself.

A warrant is in the hands of Daniel Finn, City Marshal, Laconia, N. H., for the arrest of FRANK H. POWELL, alias Frank H. Wentworth, who has been passing bogus checks drawn on the paper of a Laconia, N. H., bank member. This individual, thus far, has confined his operations to individuals in New Hampshire and Massachusetts. Powell is described as: Age, 19 years; height, 5 feet 7 inches; weight, 130 pounds; complexion, light, pimples on face; dress, wore dark suit with dotted white stripes, gray overcoat, and soft green hat.

A bank member at Grand Rapids, Mich., reports that a party has been operating in that vicinity, passing worthless checks for from \$2 to \$5, using the names JAMES A. RICHMOND, C. C. Curtis, C. C. Chester and others. The checks are supposed to have been signed by the Harrison Nelson Advertising Agency and Richmond Brothers & Company. In comparing these signatures our detective agents found that he is the same operator who operated under the name of D. P. Fargo, alias A. C. Curtis, Edwin Curtis, A. Reed, C. H. Simmons, J. A. Fargo, C. Speth, C. A. Cummings and others, and who was reported in the JOURNAL-BULLETIN, page 278, October, 1913; page 491, January, 1914, and page 641, February, 1914.

FRED E. RUSLANDER, formerly employed in the advertising department of a Pittsburgh newspaper, has been passing a number of bogus checks drawn upon the Marine National Bank of Pittsburgh, Pa. Most of these checks have been cashed in the East and range in amounts from \$20 to \$35. He is described as 30 years of age, 5 feet 11 inches in height, 165 pounds in weight, medium build, light complexion, light brown hair, smooth shaven, slender face, very prominent nose, wore brown fur cap, black overcoat with Persian lamb collar, appearance very neat. A specimen of the handwriting of Ruslander is reproduced herewith.

Fred E. Ruslander

A man using the name JOHN SCHMIDT recently operated at Iowa City, Ia., defrauding a member of the Iowa Bankers' Association by forged check for \$63.66. His description is given as follows: Age, 25 years; height, 5 feet 5 to 6 inches; weight, 180 pounds; build, stout; smooth, round full face; small black mustache; claims to be a cook from Cedar Rapids, Ia. The Iowa Bankers' Association is desirous of securing the apprehension of this person.

M. SCHOENBERGER, a former depositor of the New England Trust Company, Boston, Mass., has been passing worthless checks throughout the middle West, drawn on the paper of that bank. Schoenberger is described as: Age, 45 years; height, 5 feet 9 inches; weight, 200 pounds; build, heavy; style of beard, smooth shaven; complexion, dark; hair, dark; nationality, Jewish.

A. J. SCHROEDER, about 24 or 25 years of age, 5 feet 6 inches tall, weight, about 155 pounds, eyes partly crossed, has been operating throughout Kansas, passing worthless checks drawn on a non-membership bank at Kinsley, Kan.

On December 5, 1915, JOSEPH M. SENA stole four checks from his employer's check book. He cashed two on merchants in Denver, Colo.; two of these checks are still out which have not been cashed. They were drawn on the Pioneer State Bank of Denver, Colo., by the American Pennant Manufacturing Company. The numbers on the checks still out are 796 and 797. Joseph M. Sena is described as: Age, 20; height, 5 feet 6 inches; weight, 120; build, slender; beard, smooth shaven; complexion, dark; eyes, black; hair, black; nativity, Mexican. There is a warrant for this man's arrest in Denver, Colo.

We are in receipt of information that J. R. SMITH, alias S. M. Ely, alias C. M. Moulton, alias C. C. Cord, alias B. F. Allen, alias Joe King, was recently arrested at Somerville, Tenn., by H. P. Stainback, clerk in the Fayette County Bank. Smith is now in jail at Winchester, Tenn., awaiting trial. It is stated that this man has passed forged checks in the States of South Carolina, Arkansas, Tennessee, Louisiana, Mississippi, Missouri, and Kentucky.

Several banks in and about Iowa City, Ia., have recently been defrauded by accepting small forged checks passed by one PETER SMITH, whose true name is said to be Adam Ulaovitch. This man is 25 years of age, 5 feet 6 inches in height, 170 pounds in weight, stout build, black hair, brown eyes, very dark complexion, high cheek bones; is believed to be a Syrian. Mr. P. W. Hall of the Iowa Bankers' Association is endeavoring to have the apprehension of this party brought about.

EARL A. TOWER was successful in securing \$70.50 on a check which had been raised from \$17.50 from a bank member at New Rockford, N. D. However, as the word seventy was written on the check by the maker of the same, and only the figures changed, the bank did not suffer loss. No description of Tower is available at this time.

J. L. WALLACE at one time had an account with the Merchants' National Bank of Newark, N. J., but at the present time his funds in this institution are totally exhausted. However, he still holds a book of checks drawn on this bank and recently he called upon a merchant at Kansas City, Mo., made a purchase and tendered one of these checks, whereby this merchant, upon accepting same, was defrauded. We have the following description of this man: 30 to 35 years of age, 5 feet 10½ inches, 125 pounds, slender build, sallow complexion, dark eyes, dark hair, smooth shaven, cigarette stains on fingers, appearance of a consumptive, pleasant voice and speaks in low tone. Is American born.

His need of funds pressing him too strongly, HARRY WARD calls for his check book, fills out a check for \$162.50, takes it to a responsible business man of Los Angeles, Cal., secures his endorsement and thereby becomes the richer to the amount above mentioned. Ward's check was drawn on the First National Bank of El Paso, Tex. A few days after this business man, who holds an account with a member bank at Chino, Cal., had affixed his signature to Ward's check, it came back to him with the notation that Ward carried no account in the First National Bank of El Paso, Tex. Harry A. Ward is an expert accountant, so he claims, and states that he has been in the employ of different railroad companies throughout the country. He is of a decidedly nervous temperament.

A man representing himself as J. M. WHEELER, manager of the Wheeler Advertising Company, address not known, has been passing out bogus checks for \$15 each upon merchants in Wheeling, W. Va. On January 23, 1915, this party succeeded in handing out from fifteen to twenty checks in this city. These checks bore the printed name of The United Dairy Company of Wheeling, W. Va. This operator is said to be 5 feet 6 inches in height, 135 pounds in weight, dark complexion, very thin face, wore a dark olive balmacaan overcoat. A specimen of his handwriting is reproduced herewith.

*The Wheeler Advertising
J. M. Wheeler*

ARRESTED.

ARTHUR BOISBERT, alias William L. Douglas, alias Dean Ring, alias Karl Sorg, alias Elson Reichner, etc., of whom mention is made on page 500, January, 1915, issue of the JOURNAL-BULLETIN, was, on or about January 15, 1915, arrested at Athens, Ohio, and returned to Oxford, Ohio, where he is now awaiting trial. Boisbert passed forged certified checks drawn on a member bank of Elyria, Ohio.

On January 21, 1915, a member at Minneapolis called the office of our Detective Representatives in that city by telephone and requested that a man be sent to the bank immediately. Complying with the request this representative was ushered into the presence of the bank's cashier and a youth who gave his name as Harry Owens. This young man had just presented an order for \$183.35, along with the savings account book of one of the bank's depositors, and had requested that the money on the order be given him. The cashier stated that the order was a pure forgery.

After a thorough grilling as to how he had come into possession of the book and order, this boy broke down and made a full confession, in which he told how he had found the account book and forged the name of its owner to the order. He then gave his true name as CHARLES BROWN. He was taken off to police headquarters. Brown is 17 years of age, 5 feet 7 inches, 110 pounds, light complexion, light chestnut hair, blue eyes, smooth shaven. Disposition of his case is reported elsewhere in this issue.

On February 10, 1915, about 1 a. m., a bank member at New Hebron, Miss., was entered by burglars, who, with the assistance of nitro-glycerine, succeeded in opening the safe and appropriating a large amount of its silver currency. The explosion awakened the town, and railroad agents, sheriffs, and law officers in each town nearby were immediately notified of the burglary. News came shortly thereafter from the agent of the Gulf & Ship Island Railroad at Mount Olive, Miss., to the effect that two men had purchased tickets for Gulfport a few moments before and had paid for these tickets in full silver. On receipt of this information, a representative of the New Orleans Office of our Detective Agents, who was on the ground, immediately wired the chief of police at Hattiesburg, Miss., to arrest and hold these men on the train's arrival. This was done and the two suspects were taken to the jail, where they were searched, and currency in silver, nitro-glycerine, and fuse were found upon them. These men gave their names as J. E. BUYGE and H. GOODIE. Later they pleaded not guilty, after having been returned to New Hebron, and were held over to await the action of the Grand Jury. Buyge is also known under the name J. C. Welch and is 40 to 42 years of age, 6 feet in height, 175 pounds, athletic build, dark complexion, well tanned, hazel eyes, brown hair, smooth shaven, hard, sharp face, piercing eyes, erect carriage, appearance of a laborer, has a scar about one inch long on the right side of his face near top and in front of the ear. H. Goodie is also known as T. C. Wilson and H. Goode and is 30 to 32 years of age, 5 feet 7 inches in height, 145 to 150 pounds in weight, well built, dark complexion, well tanned, large blue eyes, dark hair, smooth shaven, nervous, shifty eyes, appearance of a laborer, has a red scar three inches long from the base of jaw back under right ear, very livid and strikingly noticeable. Both of these men are without the slightest doubt old offenders, but they refuse absolutely to talk of their past.

The passing of forged checks has netted H. E. CAMPBELL, arrest and confinement. Through mem-

ber banks at Sunbury and Shamokin, Pa., we learned of their being defrauded by the acceptance of forged checks presented by this man. On February 3, 1915, our Detective Representatives at Philadelphia were informed by the police of Lancaster that they had arrested Campbell, also known as H. W. Sweeney, and that he had confessed to his having passed the forged checks on the member banks above named. Warrants from different parts of the country have been received by the Lancaster police, requesting that this man be held, and it is readily believed that this arrest has served to discontinue the operations of a dangerous forger. He is said to be 5 feet 7 inches in height, 155 pounds in weight, light hair, blue eyes, prominent nose, smooth face, and wore glasses.

A member of this Association at Pittsburgh, Pa., was recently defrauded by cashing a forged check for \$50. The matter was put under investigation and it was the belief of our Detective Representatives that one JAMES CANNON was responsible for this forgery. He was located in Philadelphia. The police of that city were advised and the arrest followed. When confronted with the facts of the case, Cannon made a full confession and was held for the authorities of Pittsburgh.

Bank members at Biddeford and Kennebunk, Me., were recently defrauded through the bogus operations of E. G. CLARK, alias E. G. McDonald. His mode of operating was to enter a bank and open an account by depositing a check of considerable size drawn on an out-of-town bank, and after he had been properly vouched for by some new-made, reliable acquaintance, he would request that he be permitted to have a portion of the amount called for in the check on deposit in cash; this being done, the check would be sent along for collection, which, of course, met with a refusal. This individual also defrauded parties in Bangor, Me., and upon a warrant issued in that city Clark was arrested in Old Town, Me., on February 8, 1915. He was returned to Bangor, where he is held in \$3,000 bail for the September term of the Supreme Court. E. G. Clark, alias E. G. McDonald, is described as: Age, 25 to 30 years; height, 5 feet 8 inches; weight, 140 pounds; build, medium; complexion, medium light; style of beard, smooth shaven; hair, light, long; peculiarities, very restless and nervous; nativity, Dorchester, Mass.

A member of Kansas City, Mo., recently gave money on a check presented by ALBERT L. DEMPSEY. Later it was learned that Dempsey had forged his father's name to this check, and being so advised by the bank, our Detective Representatives set about to locate Dempsey. On February 15th this was accomplished, and with the assistance of the police of Kansas City, Albert L. Dempsey was taken into custody. He is 25 years of age, 5 feet 11 inches in height, 150 pounds in weight, slender build, dark complexion, dark hair, smooth shaven, sharp features.

JOHN DRAPER, of whom mention is made on page 499, January, 1915, issue of the JOURNAL-BULLETIN, was arrested January 16, 1915, in

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Memphis, Tenn., and will be returned to Cincinnati, Ohio, for trial, where he committed a hold-up and robbery on a member bank.

RAYMOND GREEN, also known as Raymond Benedict and Ray Benedict, who recently attempted to obtain funds through a bank member at St. Paul, Minn., by impersonating another party, was located by our Detective Representatives on January 23d at St. Paul, and with the assistance of the local police authorities he was placed under arrest. As it was found that this man had violated the United States Statutes, he was turned over to the Post Office authorities. On January 28th he was arraigned before the United States Commissioner and sent to the Ramsey County Jail to await the action of the Federal Grand Jury in June. His bond was fixed at \$1,000. Raymond Green is described as follows: Age, 27; 5 feet 7 inches in height, 165 pounds in weight, medium build, medium chestnut hair, smooth shaven. He has the general appearance of a laboring man.

WILLIS F. HELLER, a farmer boy residing near Cabot, Pa., was arrested by a representative of the Pittsburgh office of our Detective Agents on February 6, 1915, charged with forgery and obtaining money under false pretense from a bank member at Freeport, Pa. Heller was admitted to bail in the sum of \$1,000 for appearance at the March term of court at Kittanning, Armstrong County, Pa. Heller is described as follows: Age, 19 years; height, 5 feet 9 inches; weight, 150 pounds; build, slender; complexion, ruddy; hair, dark; smooth shaven; has noticeable light eyebrows; appearance, farmer.

JAMES HEMPENSTALL, concerning whom there is an article published on page 765 of the May, 1914, JOURNAL-BULLETIN, who is wanted for defrauding a bank member of Mishawaka, Ind., by means of forged checks, has recently been located in the Ohio Penitentiary, where he has been serving a sentence for forgery since November 13, 1914.

On February 2, 1915, a member of this Association advised that one **ROBERT HICKS** had defrauded them to the extent of \$52 by means of a check to which he had forged his father's name. The case was immediately taken up and Robert Hicks was traced to Lexington, Mo. Late that night, as he was leaving a picture show, he was stopped by two men in the street and requested to accompany them to police headquarters, as he was wanted for the forgery charge above mentioned. Hicks consented and is now held awaiting trial. This arrest was effected with the assistance of the sheriff at Lexington, Mo. Robert Hicks is 40 years of age, 5 feet 11 inches in height, 160 pounds in weight, dark complexion, dark hair, slender build.

On February 11th a member at Medicine Lake, Mont., was held up by two amateurs, they securing about \$3,000. A posse later shot and captured one of

these men, **MAGNUS HANSON**, who is now in a hospital recovering from his wounds. To date the second man, **JOHN JOHNSON**, 18 years, light hair, light blue eyes, 5 feet 8 inches, is still at liberty.

A forged check for \$70 passed by one **HOWARD LEIGH** was instrumental in the loss of that amount to a member of the Association at Independence, Mo. This case was immediately put under investigation and on February 10, 1915, a representative of the St. Louis office of our Detective Representatives located Leigh. The authorities at St. Louis were notified and dispatched an officer to make the arrest. When placed in custody, Leigh gave his name as Howard Louis but later confessed that Howard Leigh was his true name. A blank check book was found in his possession (checks on the First National Bank of Independence, Mo.). He is 32 years of age, 5 feet 11 inches, 220 pounds, florid complexion, light chestnut hair, wore mixed black Scotch raglan overcoat, three-stone diamond ring on middle finger of left hand. Has a round face and habit of hitching up his trousers and straightening his posture.

On January 27, 1915, at Fort Smith, Ark., one **DILL LOCKRIDGE** was arrested in connection with the burglary of a bank member at Lavaca, Ark., which burglary occurred on the early morning of January 17, 1915. The case against Lockridge has not been disposed of as yet. This arrest was brought about by our Detective Representatives and the police authorities of Fort Smith.

For some time past, individuals, merchants and member banks in the State of California have been put to annoyance and loss through one **R. EMMET LUCAS**, who persisted in handing out to all who would accept them, checks drawn on banks wherein he carried no account. However, on January 29, 1915, a merchant who Lucas had recently defrauded, recognized Lucas in the streets of Los Angeles and ushered him off to headquarters. Our detective representatives would have accomplished this arrest a few moments later, for Lucas when intercepted by the merchant was on his way to meet an operative of their Los Angeles office. Lucas is said to be 50 years of age, 5 feet 8 inches in height, 165 pounds in weight, medium build, florid complexion, and is an insurance man by occupation.

JOE and STEVE MOYCENOVIC were arrested on February 4, 1915, by a representative of the Cleveland Office of our Detective Representatives. They were charged with stealing a pass book and forging checks through which a member of Cleveland, Ohio, sustained a loss of \$110. On February 5, 1915, they were given a hearing and bound over to the Grand Jury. Steve after his arrest was identified by our Detective Agents as being the man for whom there was a warrant in their possession for passing forged checks near Lorain, Ohio.



J. F. MACK.



JOE HALE.

Holding up the officials of a bank with drawn revolvers and appropriating thousands of dollars of the bank's money, is the charge on which J. F. MACK and JOE HALE now stand accused by the courts of Duncan, Ariz. It is stated that during the month of September, 1914, these two men advanced upon a member of this Association at Duncan, faced the Cashier and his assistant with loaded revolvers, and demanded that they back into the vault. This done, the hold-up men gathered into their possession all the money that they could lay their hands upon, and rushing from the bank, took to their horses and made good their escape. Their arrest was recently brought about at Roaring Springs, Colo. Also one Ira Grear was taken into custody in connection with this hold-up and this man is presently confined in the jail at Clifton, Ariz., awaiting trial. Mack and Hale have had their cases disposed of and the long terms that each must serve for their offense is made mention of in another column of this issue. Photographs of these men are reproduced in connection with this article.

On January 23, 1915, our Detective Agents at St. Louis, Mo., located one JAMES RILEY, also known as James King, Clarence Ball and Clarence McCoy, and he was placed under arrest by police officers, charged with defrauding a member of this Association at St. Louis, by means of a bogus check for \$450 drawn on a bank of East St. Louis, Ill. This man as Clarence McCoy was arrested at Omaha, Neb., April 19, 1910, as a check worker. On April 20th he was sentenced to fifteen days in jail. On May 13, 1907, he pleaded guilty to grand larceny and was sentenced to three years in the Missouri State Penitentiary, from which he was discharged April 4, 1909.



ADOLPH SCHMIDT

On the charge of having defrauded a member in the city of Chicago, Ill., out of \$7,500 by means of forged checks, ADOLPH SCHMIDT, whose photograph we reproduce above, was trailed from Chicago to Bristol, England, where he was placed under arrest and returned to Chicago for prosecution. Shortly thereafter he was released on bond, which he forfeited and again disappeared. The search for this man was again resumed and on February 13, 1915, he was arrested at Detroit, Mich., and for the second time returned to Chicago to account for the offenses which

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he had committed. He has also given his name as Adolph Kowalski. He is 24 years of age, 5 feet 7½ inches in height, pale azure eyes, brown hair, florid complexion, small light brown mustache, born in Russia. Tattoo of woman in scroll forearm front. His Bertillon measurements are: 71.0; 76.0; 90.5; 19.7; 17.2; 6.0; 26.7; 11.7; 9.2; 46.1.

On February 17, 1915, our Detective Agents were advised by a member bank in Washington, D. C., that they had been defrauded on February 6, 1915, of a sum of money through a fraudulent endorsement. On February 20, 1915, at Baltimore, Md., our Detective Agents, assisted by the police authorities, caused the arrest of HAROLD SCOTT, who confessed to having perpetrated the above forgery. He was returned to Washington and is at the present time awaiting trial.

On January 29, 1915, the deputy sheriff of St. Francois County, Mo., returned to Desloge with R. P. SMITH, whom he had located in the reformatory at Buena Vista. This man defrauded a member of this Association at Flat River, Mo., some time ago. See JOURNAL-BULLETIN for July, 1914, page 45.

In the JOURNAL-BULLETIN for December, 1914, page 394, an article appears regarding R. D. STUART, who succeeded in passing a bogus check for \$1,140 upon a member in Steubenville, Ohio, last October. We are advised by a bank member of Carnegie, Pa., that Stuart also succeeded in passing a bogus check in Carnegie and that he was arrested on this latter offense. He was formerly a brakeman on the Panhandle Division of the Pennsylvania lines, residing in Glendale, a small town near Carnegie, Pa., and is about 24 years of age and married.

JOHN TODD, a blacksmith of Montgomery, Ala., was arrested on February 15, 1915, at Montgomery and charged with having stolen \$1,527 from the safe of a member of that city while he was employed on the combination lock. His case has not been disposed of as yet.

NELLIE and CHARLES WHEELER were arrested on January 22, 1915, by the police at Lockport, N. Y., on the complaint of a member of that place who states that \$524 was endeavored to be secured from their bank by this couple with a forged check. On January 23d they both waived examination and were committed to jail in default of \$1,000 and \$500 bonds, respectively. Charles Wheeler is 35 years of age, 5 feet 9½ inches in height, 150 pounds, medium build, dark complexion, dark eyes, dark hair, smooth shaven, tailor by occupation. Nellie Wheeler is 29 years of age, 5 feet 4 inches, 125 pounds in weight, medium build, dark complexion, dark eyes, black hair.

DOYLEA WHITE, a negro, was arrested in Kansas City, Mo., by a local officer on January 30th, as he had attempted to cash a worthless check at a membership bank in that city. White was positively identified by the teller as being the same negro who had cashed previous worthless checks there in the sum of \$33. White claimed that the checks were

given him by a white man, but there is no doubt but what he wrote them himself. His trial has been set for March 1, 1915. He is described as being about 25 years of age, height 6 feet 1 inch, build slender, complexion, brown; weight, 170 pounds; has a two-inch scar in the right side of his face. Has a previous record in Kansas City, Mo., for gambling and vagrancy.

REMOVED.

H. GOODER, alias T. C. Wilson, alias H. Goodle, and J. E. BOURG, alias J. C. Welch, alias J. E. Buyge, whose safe blowing operations against a member bank at New Hebron, Miss., will be found elsewhere in this issue, were on February 19, 1915, sentenced to serve five years at hard labor in the Mississippi State Penitentiary. The proceedings in this case were unusual inasmuch as these criminals were indicted by the Grand Jury, arraigned before a Trial Judge, pleaded guilty and received sentence all in the space of three hours.

CHARLES BROWN, who at one time gave his name as Harry Owens, and whose arrest is reported elsewhere in this issue, was on January 22, 1915, committed to the Training School at Red Wing, Minn., on the charge of having attempted to defraud a member at Minneapolis, Minn.

MRS. GRACE BROWN, mentioned in JOURNAL-BULLETIN for February, 1915, page 598, pleaded guilty, was sentenced to two years in the Missouri State Penitentiary and later paroled by Judge Latshaw during her good behavior.

T. M. CANTRELL, mentioned in JOURNAL-BULLETIN for March, 1914, page 663, for April, 1914, page 694, was recently acquitted in Claremore, Okla.

C. C. CARTER was sentenced on November 1, 1914, to serve two years in the Alabama State Penitentiary and on November 21st was committed to the Institution. There are two other charges on which Carter was indicted, the trial date for which has not been set.

ALBERT L. DEMPSEY, mentioned elsewhere in this JOURNAL-BULLETIN, entered a plea of guilty to forgery on February 16th, and was sentenced to two years in the Missouri State Penitentiary.

THOMAS J. FITZ, colored, who was arrested by our Detective Agents on January 20, 1915, at Pittsburgh, Pa., pleaded guilty to conspiracy to defraud a member bank of Houston, Pa., and was sentenced on February 2, 1915, at Washington, Pa., to serve six months in the Allegheny County Workhouse and to pay a fine of \$1.00.

WILLIS F. HELLER, who was arrested by a representative of the Pittsburgh Office of our Detective Agents on February 6, 1915, charged with passing a bogus check for \$20 on a member bank at Freeport, Pa., admitted his guilt a few days later. He is only 19 years of age, and this and other extenuating cir-

cumstances have brought about his release, the charges against him having been dropped.

On another page of this issue there is an article published relative to the locating of JAMES HEMPENSTALL in the Ohio State Penitentiary, where he has been serving a sentence on the charge of forgery since November 13, 1914. When he is released on this charge, he will be rearrested on the charge of having defrauded a member bank at Mishawaka, Ind.

WM. ALLEN INHOFE, mentioned on page 500 of the JOURNAL-BULLETIN for February, 1915, pleaded guilty February 1st and was sentenced to thirty years in the Oklahoma State Penitentiary.

ROWLAND JOHNSON, mentioned on page 600 of the February, 1915, JOURNAL-BULLETIN, has been released from custody, all fraudulent papers issued by him having been taken up by his relatives.

MARGARET KELLY, arrested in St. Louis, Mo., last October, for forgery, was paroled on December 14, 1914. See JOURNAL-BULLETIN, November, 1914, page 322; February, 1915, page 602.

CARL LUNDIN, alias Sam Weinstein, arrested in East Grand Forks, N. Dak., on a charge of defrauding a member bank at that point by forgery, has been found not guilty of the charge against him.

D. H. MCKAY, also known as H. G. Corbaley, D. H. Langan and F. B. Meyers, arrested November 11, 1914, for forgery committed at San Francisco, Cal., has pleaded guilty to this charge and was granted a parole of four years by the San Francisco courts.

Not less than ten and not more than twenty years in the Florence, Ariz., State Penitentiary is the sentence netted out to J. F. MACK and JOE HALE, who were recently proven guilty of holding up a member bank at Duncan, Ariz. A full account of their arrest is given in another column of this issue.

CHARLIE MELLIS, who was arrested July 16, 1914, charged with forgery at Decatur, Ala., was discharged at a preliminary trial. G. GUST, whom he introduced and who published the forgery, has not yet been apprehended. See JOURNAL-BULLETIN for August, 1914, page 107.

ANDREW MESSINGER, arrested October 21, 1914, for forgery committed against a member bank at Bath, Pa., pleaded guilty to the charge and on December 15, 1914, was sentenced to four years in the Northampton County Prison, Pa., same to date from October 28, 1914.

JACK RYAN, arrested October 20, 1914, after defrauding a member bank at Ortonville, Minn., pleaded guilty and was sentenced to ninety days in the County Jail. Ryan is mentioned in the JOURNAL-BULLETIN of November, 1914, on page 312.

NELLIE SCRULIS, who has also used the name "HENDERSON," arrested in Hartshorne, Okla., November 2, 1914, made her escape from the jail at that point and is now at liberty. See JOURNAL-BULLETIN, April, 1914, page 692; December, 1914, page 403.

R. D. STUART, whose arrest is reported elsewhere in this issue, has been sentenced to serve one year in the Allegheny County Jail, Pittsburgh, Pa.

CHARLES SULLIVAN, who was arrested September 7, 1913, charged with defrauding a membership bank at Munfordville, Ky., has been released, the cases against him having been dismissed in the January, 1915, term of court. See JOURNAL-BULLETIN for September, 1913, page 219, and October, 1913, page 285.

BERT THATCHER, who defrauded a bank member at Kokomo, Ind., and who is mentioned through the columns of the American Bankers Association JOURNAL-BULLETIN, January, 1915, page 497, and who was arrested at Winnipeg, Canada, on information furnished by our Detective Representatives, has been returned to Kokomo, Ind., for prosecution, where on January 22, 1915, he pleaded guilty on a charge of forgery and has been sentenced to the Indiana State Prison, Michigan City, Ind., for a period of two to fourteen years.

C. L. TRAVIS, arrested on November 7, 1914, for forgery committed at Colorado Springs, Colo., was on January 19, 1915, sentenced to an indefinite term in the State Reformatory at Buena Vista, Colo.



AWAITING TRIAL, EXTRADITION OR SENTENCE, MARCH 1, 1915.

ALLEGED FORGERS, ETC.

Andrews, Bob, December 12, 1914, arrested; swindle Ramseur, N. C.

Bach, Edward, November 17, 1914, arrested; forgery New York, N. Y.

Bazzell, Charles, February, 1914, arrested; swindle Pryor, Okla.

Berry, Aurelia Mildred, July 7, 1914, arrested; forgery New Orleans, La.

Bingemer, C. T., November, 1914, arrested; forgery Tulsa, Okla.

Blass, Aline Davis, September 25, 1914, arrested; forgery New York, N. Y.

Bobnich, Robert, October 10, 1914, arrested; forgery Choteau, Mont.

Boisbier, Arthur, January 15, 1915, arrested; forgery Pittsburgh, Pa.

Bonchea, Benjamin, July 30, 1914, arrested; swindle Philadelphia, Pa.

Braun, F. A., July, 1914, arrested; forgery San Antonio, Tex.

Bremer, Robert L., December 22, 1914, arrested; forgery Birmingham, Ala.

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Bundy, H. C., August 7, 1914, arrested; forgery San Francisco, Cal.

Bush, J. A., May 29, 1913, arrested; forgery Wenatchee, Wash.

Campbell, H. E., February 3, 1915, arrested; forgery Sunbury, Pa.

Camus, William L., January 11, 1915, arrested; forgery New Orleans, La.

Cannon, James, February, 1915, arrested; forgery Pittsburgh, Pa.

Catherman, Laura, December 19, 1914, arrested; forgery Rosedale, Kan.

Chapin, Frank L., December 7, 1914, arrested; forgery New Britain, Ct.

Clark, E. G., February 8, 1915, arrested; swindle Biddeford, Maine.

Cooper, C. S., March 7, 1914, arrested; swindle Cordell, Okla.

Cox, Charles, September 23, 1914, arrested; forgery Bellhaven, N. C.

Curtis, Edwin A., December, 1913, arrested; forgery Stryker, Ohio.

Cuyle, W. G., October, 1914, arrested; forgery Chillicothe, Mo.

Daniels, J. A., January 20, 1915, arrested; forgery Stuart, Fla.

Early, Milton, January 16, 1915, arrested; swindle Clairon, Pa.

Farlow, A. P., April 1, 1914, arrested; forgery Columbia, S. C.

Fisch, Abe, December 12, 1914, arrested; forgery Houston, Tex.

Frich, Tona, October 10, 1914, arrested; forgery Choteau, Mont.

Fuentes, Frank San Elmo, July 30, 1914, arrested; forgery Philadelphia, Pa.

Geyer, Henry, January 9, 1915, arrested; forgery Mount Vernon, Iowa.

Goeltz, G., September, 1914, arrested; forgery Chicago, Ill.

Green, Raymond, January 23, 1915, arrested; swindle St. Paul, Minn.

Guy, Ray, September 10, 1914, arrested; forgery Oxnard, Cal.

Hardman, Carl, September 2, 1914, arrested; swindle Vincennes, Ind.

Hartley, Louis W., January 5, 1915, arrested; forgery Stevens Point, Wis.

Heild, Jessie, September 25, 1914, arrested; swindle New York, N. Y.

Hicks, Robert, February 2, 1915, arrested; forgery Kansas City, Mo.

Howard, John A., January 6, 1915, arrested; forgery Burlington, Vt.

Johnson, C. H., December 17, 1914, arrested; forgery Albuquerque, N. M.

Kelly, Robert M., June 8, 1913, arrested; swindle Bishopville, S. C.

Kirlin, Loretta, August 15, 1914, arrested; forgery Annapolis, Md.

Klarch, George, October 10, 1914, arrested; forgery Choteau, Mont.

Konvalinka, Louis, November 17, 1914, arrested; forgery Brooklyn, N. Y.

Larson, John B., October 27, 1914, arrested; forgery Juneau, Alaska.

Leigh, Howard, February 10, 1915, arrested; forgery Independence, Mo.

Lockridge, Dill, January 27, 1915, arrested; burglary Lavaca, Ark.

Loundsberry, R. F., December 3, 1914, arrested; forgery Pueblo, Colo.

Lucas, R. Emmet, January 29, 1915, arrested; swindle San Pedro, Cal.

McDuffy, John, December, 1914, arrested; forgery Twinsburg, Ohio.

McKellop, Tom, March 20, 1914, arrested; swindle Holdenville, Okla.

McKellop, William, March 20, 1914, arrested; swindle Holdenville, Okla.

McKinley, Maynard, March 10, 1914, arrested; forgery Idabel, Okla.

Moycenovoc, Joe, February 4, 1915, arrested; swindle Cleveland, Ohio.

Moycenovoc, Steve, February 4, 1915, arrested; swindle Cleveland, Ohio.

Nathan, Hugo, December, 1914, arrested; forgery Little Rock, Ark.

Norwood, H. W., December 4, 1914, arrested; forgery Cumberland, Md.

Parmeter, Oren, September 15, 1914, arrested; swindle Albion, Ind.

Posselt, Charles A., July, 1914, arrested; forgery Worcester, Mass.

Quigley, Quentin, January 2, 1915, arrested; forgery Watertown, S. D.

Rich, L. M., October 27, 1914, arrested; forgery Topeka, Kan.

Richason, M., January 1, 1913, arrested; swindle Kansas City, Mo.

Riche, A. L., October 16, 1914, arrested; swindle Boston, Mass.

Riley, James, January 23, 1915, arrested; swindle East St. Louis, Ill.

Rivera, Jose Vargas, December 7, 1914, arrested; forgery New York, N. Y.

Rogers, C. R., August, 1912, arrested; forgery Cordele, Ga.

Rowland, William, May, 1914, arrested; forgery Hartman, Ark.

Schmidt, Adolph, February 13, 1915, arrested; forgery Chicago, Ill.

Scott, Harold, February 20, 1915, arrested; forgery Washington, D. C.

Smith, Clarence Clark, November, 1914, arrested; forgery Tulsa, Okla.

Smith, D. K., September 22, 1914, arrested; swindle Huntsville, Ala.

Smith, J. T., February, 1914, arrested; swindle Purcell, Okla.

Smith, R. P., January, 1915, arrested; forgery Flat River, Mo.

Spencer, H. E., January, 1914, arrested; forgery San Francisco, Cal.

Stevens, E. M., March 10, 1914, arrested; swindle Millertown, Pa.

Stone, George, December, 1913, arrested; forgery Lindsay, Cal.

Stone, Harry, December 29, 1914, arrested; forgery Boston, Mass.

Stuart, Clarence E., November 25, 1914, arrested; forgery Houston, Texas.

Sturgis, R. E., July 3, 1913, arrested; swindle Jennings, La.

Sullivan, C. E., August 15, 1914, arrested; forgery Ensley, Ala.

Villanueva, Ramon, January 11, 1915, arrested; forgery Sausalito, Cal.

Vojvodic, Kajo, October 10, 1914, arrested; forgery Choteau, Mont.

Walsh, Joseph, January 19, 1915, arrested; forgery Stamford, Conn.

Wheeler, Charles, January 22, 1915, arrested; forgery Lockport, N. Y.

Wheeler, Nellie, January 22, 1915, arrested; forgery Lockport, N. Y.

White, Della, November, 1914, arrested; forgery Kansas City, Mo.

White, Doylea, January 30, 1915, arrested; forgery Kansas City, Mo.

Wills, Joseph A., November 29, 1914, arrested; forgery Atlantic City, N. J.

Wise, Tessie, January 7, 1914, arrested; forgery San Francisco, Cal.

BURGLARS AND HOLD-UP ROBBERS.

Clark, Alonzo, January 14, 1915, arrested; hold-up Terlton, Okla.

Draper, John, January 16, 1915, arrested; hold-up Cincinnati, Ohio.

Dropp, B. W., February, 1914, arrested; attempted hold-up Tacoma, Wash.

Edwards, Leo, January, 1915, arrested; hold-up Salt Lake City, Utah.

Hanson, Magnus, February 11, 1915, arrested; hold-up Medicine Lake, Mont.

Heaton, Bert, December 28, 1914, arrested; hold-up Bingham, Utah.

Hembree, Fred, January 16, 1915, arrested; burglary Andale, Kan.

Howard, George F., January 16, 1915, arrested; burglary Andale, Kan.

King, Alex, September 18, 1914, arrested; burglary Lincoln, Ala.

Powells, John, September 28, 1914, arrested; burglary Lincoln, Ala.

Schapper, Peyton, January 16, 1915, arrested; burglary Andale, Kan.

Spess, James, January 12, 1915, arrested; hold-up Terlton, Okla.

Stanfield, Thomas, January 16, 1915, arrested; burglary Andale, Kan.

Todd, John, February 15, 1915, arrested; burglary Montgomery, Ala.

STATISTICS OF THE WORK OF THE PROTECTIVE DEPARTMENT.

AS REPORTED TO THE PROTECTIVE COMMITTEE.

From September 1, 1914, to February 28, 1915.

New York, N. Y., March 1, 1915

Persons arrested, discharged, convicted, fugitives, awaiting trial, etc.

	Awaiting Trial etc. September 1, 1914.	Arrested since September 1, 1914.	Arrests in February, 1915.	Total.	Convicted.	Discharged or Acquitted.	Escaped, Fugitive, Dead, or Insane.	Awaiting Trial.
Forgers.....	92	127	22	149	109	40	5	87
Burglars.....	.	8	4	12	4	.	.	8
Hold-up Robbers.....	3	10	4	14	6	2	2	7
Sneak Thieves.....	.	1	..	1	..	1	..	..
	95	146	30	176	119	43	7	102

RULES OF THE PROTECTIVE COMMITTEE

1. Upon receipt of notification by the General Secretary, Five Nassau Street, New York City, or the nearest office or correspondent of the William J. Burns International Detective Agency, Inc., of an attempted or successful perpetration of fraud or crime upon a member of this Association in its banking rooms, or in the rooms of such branches as are members, either by forgery, check-raising, worthless or bogus checks, swindle, sneak theft, robbery, hold-up, or burglary therein, the Committee will at once use its best efforts to apprehend the criminal. No action, however, will be taken unless immediate notice is given and a case once committed to the Association cannot be taken out of its hands nor the offense condoned or compromised. If for any reason whatsoever no prosecution takes place when the member is in a legal position to aid in the prosecution, and fails to do so, such member shall reimburse the Association for all expenses incurred in connection with the same reported.

2. In reporting cases the member agrees to swear out a warrant for the criminal concerned when his identity has been determined; or a John Doe warrant at once in states where permitted. The Committee relentlessly pursues both amateur and professional criminals in cases of attempted or successful fraud or crime upon members of the Association but cannot take cognizance of such offenses where perpetrated upon other than members, or of so-called "inside jobs" where the offender is an officer or employee of a member. The Committee relies upon the state county, or local authorities to arrange for the extradition and the payment of expense incident to the return of a prisoner. The Committee will not pay witness fees, and will not be responsible for any expense incurred for protective work, which has not been previously authorized.

